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LAND TAX PAYMENT BY COERCION

If anything were needed to illustrate the difficulties of administration in Shanghai it would be the fact that the Council had to barricade up the entrances to houses in lanes on Ferry Road in order to get the landlords to pay the Land Tax. In any other community, the Council of the city or county would merely have taken the defaulters to Court and have obtained judgment against them—a judgment which would have been executed by the Court in the ordinary way if it had not been promptly met by the defaulters themselves. But here in Shanghai, where the Land Tax is given ratepayers' approval just like the General Municipal Rate and where the Council has the clearest of legal title to collect, it was apparently found necessary to take direct coercive action as against what would have been an ordinary process of law elsewhere. This is the most unsatisfactory feature of the incident, reported elsewhere in this issue, in which the

Council acted suddenly at midnight on Wednesday and erected barricades blocking the entrance to a terrace of houses in Ferry Road and also took similar action regarding property in the Eastern District. There was no question of the non-payment of Land Tax in respect of property which has not been registered.

It ought to be explained that in the early days of the Settlement foreigners could acquire land from Chinese and have that land registered at their respective Consulates. All such registered land became subject to the Land Tax, and a considerable quantity of Chinese-owned land was also registered in foreign names for the sake of the better protection and clearer legal title attached to such registration. By far the larger proportion of all land in the Settlement has been registered for years and upon such land the Land Tax has been duly paid. But about one-sixth of the total land in the Settlement remains unregistered and it is upon this that owners have been refusing to pay, this representing a serious loss every year to the Council on what it should be able to count for certain as being normal revenue. The Council has now rightly taken the view that property upon which no Land Tax is paid cannot expect to continue to enjoy the amenities of municipal roads, and that the Council is justified in cutting off such property from having access to such roads. That in the case of the property on Ferry Road the Council's action had such a swift response by the payment of the taxes yesterday morning shows that in the minds of the owners there was never any doubt as to their legal liability.

Regarding the tenants of the barricaded property—tenants who have doubtless paid their rates in the ordinary way—one can sympathize with them in any sense of grievance they might have had, although the Council in no way interfered with such essential residential services as water, light, etc. Those who ordered action on behalf of the Council doubtless had the position of the tenants closely in mind, for the question was raised in the case of the former Yu Yuen Road barricades incident as to whether a tenant who paid an inclusive rental would not have redress against the Council if occupational benefits were denied him in the process of coercive action against another person. Points such as these, of course, are merely incidental to the case under review. The main fact is that owners of unregistered land have an obligation to pay the Land Tax to the Council and that the Council can take action against them if they do not pay. The pity of it is, to our mind, that that action needs to be outside an ordinary Court. It is an extremely serious matter for this Settlement when its administrative body is deprived or sceptical of recourse to simple legal machinery for the enforcement of its clear revenue rights and is forced to take punitive action of a physical character.

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S.M.C. Barriers Exclude Houses From Ferry Road

Council Strikes Suddenly
at Midnight

UTMOST SECRECY

Yu Yuen Rd. Tax Incident
Recalled by Move

Striking swiftly at midnight last night, agents of the Shanghai Municipal Council blocked off a terrace of houses at Lane 427 in Ferry Road with boards surmounted with barbed wire. Moving quietly from the Gordon Road Police Station, the squad of P.W.D. coolies reached the lane and completed the job within twenty minutes, quickly and efficiently.

The unexpected move by the S.M.C. was almost exactly similar to the creating of a "Forbidden City" in Yu Yuen Road on March 11 of this year when the same body isolated a block of houses which had failed to pay taxes.

The entire move last night was done with an obvious attempt to preserve the utmost secrecy. Aside from agents of the S.M.C., several foreign police officers, Chinese constables, and about twenty P.W.D. coolies, the only spectators of the scene were representatives of the "North-China Daily News."

Unlike the blockading last March, the affair last night was done with no commotion or friction whatever, partly perhaps because the houses attended to were in the International Settlement instead of Chinese territory.

Careful Arrangements

It was apparent that careful arrangements had been made in advance for the two entrances to the lane of houses were blocked with barricades that fitted perfectly. Each entrance to the terrace was off a lane, the lanes being about 100 yards apart. When one job was completed, the small detachment moved down the street to the other entrance. Here, the work was delayed for a few minutes owing to a miscalculation. The barrier was a little too large to enter the gate to the lane and a few minutes were necessary to remove one of the supports temporarily.

The men in charge of the party repeatedly gave orders to make the whole proceeding as noiseless as possible. Once, a coolie was pounding with a hammer and received a curt order to pound more silently.

There was no evidence that electricity, gas, water had been cut off from the houses.

No Watching Crowd

The stealth of the attack had its reward for people sleeping in the immediate vicinity continued to sleep and there was no watching crowd despite the fact that the regions was obviously well populated.

The terrace of houses that were blockaded are almost invisible from Ferry Road being behind the shops facing the street.

Earlier Blockade

Although the reason for this action on the part of the Shanghai Municipal Council could not be ascertained last night—due to the utmost air of secrecy which prevailed even as the last nail was being driven in—the creation of this little city within a city was very similar to the action taken in the case of recalcitrant Yu Yuen Road tax-payers last March. With this difference, however, that whereas last night's "besieged city" was entirely within Settlement limits, the barricaded terrace in March was actually in extra-Settlement territory, with entrances onto extra-Settlement roads maintained by the Municipal Council.

The recalcitrant tax-payers of the March affair included a number of Shanghai City Government officials and a Chinese lawyer, Mr. S. Y. Yeh, who threatened to sue the Council if the barricades were not removed. Taxes were owed by some of the defaulting ratepayers as far back as the last quarter of 1936. The tenants of the houses concerned were duly warned by the Council, and when they remained obdurate the Council, after a further period of grace, struck quickly on the night of March 11.

The terraces concerned consisted of a vast compound of modern apartment buildings largely inhabited by Chinese; a total of 127 flats and several hundred people were shut off by the Council from the Settlement. Large bodies of police constables, including the Reserve Unit and their "Red Marias," stood by, in contrast to last night's bare handful of police officers. Inside the little "town," the Chinese Police were keeping order with the assistance of rifles with fixed bayonets.

Former Agreement

The barricades remained in place until the late afternoon of March 17, following which sewerage and water-drainage systems, which had been cut off in the meantime, were restored. An agreement with regard to the "lifting" of the siege was entered into between the Shanghai Municipal Council and the Shanghai City Government, the main point of the agreement being that the taxes were to be paid over to the City Government, that the two bodies should open negotiations regarding the payment of the tax in the future, and that in the event of the negotiations breaking down, the tax money should be handed over to the Council by the City Government.

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Tax Barricades Removed At Noon

Rate-Dodgers Regain Freedom After 12 Hours "Prison"

The barricades at three compounds of Ferry Road, erected by the S.M.C. at midnight, were removed by workmen of the Public Works Department at 1.30 o'clock this afternoon, 13½ hours after erection to force payment by Chinese residents of the land tax.

Residents in three compounds located in lanes off Ferry Road and on Melchow Road were today receiving their food through wooden and barbed wire barricades erected by the Public Works Department at midnight, after the S.M.C. had decided that drastic steps were necessary to force the payment of land tax owners of unregistered land in the Settlement; has thus been curtailed is not believed to exceed 300 and the barricades at two places are expected to be down some time late today when property owners meet the Council's demands.

Mr. Stirling Fessenden, secretary-general of the S.M.C., explained to a representative of this paper today that no question of municipal rates was involved in the present dispute, these having been paid regularly. The trouble centers around an old land registration law whereby land in the Settlement had to be registered with a foreign consul. Only land registered by a foreigner was taxed. Although most Chinese registered their land through some foreign subject, some never did this and even today their land is still under old Chinese deeds and

titles. These have not paid land tax.

Said Unfair

About nine months ago the Council decided that it was not fair that these land owners should enjoy all the amenities of municipal developments without paying taxes the same as other owners. A request was made for owners of unregistered land to pay the land tax. Some complied, others did not. Other measures having failed, the Council feels that those not paying should be prevented from using municipal roads. The total amount owned is not known.

Unlike the blockade in Yu Yuen Road on March 11, properly affected today is in the Settlement. The blockade is also more effective, no possible means of exit being open to those within the barricades. Inhabitants are still receiving water, gas and electricity.

Factory Barricaded

At Lane 427, Ferry Road, about 40 members of the Soy Chong Brass and Iron Works were "imprisoned." Most of those inside were merely the apprentices as the regular workers lived outside the compound. Mr. William Kwok, who is in charge of the plant which employs about 70 persons, his family and the apprentices comprise the entire colony. The apprentices were hard at work this morning as usual, the clang of their hammers being plainly heard, but workers had an enforced holiday, being unable to enter. One foreign sergeant and one Chinese constable were on hand to see that the barricades were not broken.

Mr. Kwok claims that his firm had paid rates regularly and that the owner of the land, Mr. Sing Fook-kee, building contractor, was responsible for payment of land taxes. He also expected the barricades to be removed this afternoon. Only 27 Chinese bungalows and the factory are within the compound. Back taxes here are said to total only 54, according to Kwok.

Tongue-Lashing

In Lane 617 along the same road a representative of this paper found a Chinese woman giving a foreign police sergeant a tongue-lashing through a barred window of her house. She lived in a compound of about six new Chinese two-story stucco dwellings. Seven barricades were needed to keep residents in this area inside, but the results were effective, the only possible egress being over high walls.

The other place reported to be barricaded is at 300 Melchow Road where the Universal Industrial Corporation is located.

The S.M.C. denies that the present action is part of a campaign and claims that similar moves have been made during the past nine months. It merely considers it unfair that while some owners pay the land tax, others enjoy the same privileges free. Probably tax for the past nine months will only be demanded.

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The Shanghai Evening Post & Mercury, Wednesday, May 19, 1937

Outside Roads Up For Session

Old Problem On Agenda For Council Meeting This Afternoon

That perennial thorn in the hide of the Shanghai Municipal Council, the unsolvable Outside Roads Problem, was on the agenda being prepared today by the secretary for the ordinary meeting of the Council late this afternoon. A problem that has caused much nail-chewing and brow-wrinkling by officials of the Council, the City Government and the Japanese Consulate for the past six years, new attempts have been made recently to reach some agreement, and it is an aspect of these attempts that will be considered today.

That anything concrete in the way of results will come from today's meeting, however, is considered very unlikely. Latest phases were considered at the last two meetings of the Council, but what progress has been made, if any, has not been made public.

As one Council official recently put it to an Evening Post representative, "The mills of the gods grind slowly," and added, "but just how fine they grind I couldn't say off hand."

The particular stage reached, apparently, is a consideration by the Council of the reaction of the City Government to Japanese proposals for revision of a tentative agreement on general jurisdiction over the extra-Settlement roads. This tentative agreement, reached between Mr. Stirling Fessenden, secretary-general of the S.M.C., and Mr. O. K. Yui, acting mayor of Greater Shanghai, was opposed by Mr. N. Yoshioka, Japanese consul, who submitted a memorandum on Japanese objections to the financial arrangements.

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S.M.C. Members Hear Report On Roads Question

City Government's Views
On Solution Explained
By Fessenden

SOVEREIGNTY SAID BASIS OF TALKS

Japanese Memorandum
Not Discussed At
Meeting

The attitude of the City Government of Greater Shanghai regarding the extra-Settlement roads question was yesterday brought to the attention of the members of the Shanghai Municipal Council at their regular meeting by Mr. Stirling Fessenden, Secretary General of the Council.

Mr. Fessenden pointed out that in a statement made by Mr. O. K. Yui, Acting Mayor of Greater Shanghai, it was reiterated that any settlement of the long-standing question should be based on the recognition of the sovereign rights of the Chinese Government in the outside roads area.

Parleys To Continue

Apart from Mr. Fessenden's brief report, no further discussion took place among the Councilmen regarding the thorny question. It was agreed among the S.M.C. members that Mr. Fessenden should be asked to continue the negotiations with Mr. Yui to bring about a settlement of the outside roads question.

The Japanese memorandum, regarding extension of Settlement telephone service and the inclusion of an area 100 meters from the outside roads into the "special" area, was not brought up for discussion at the meeting yesterday.

Both the Council and the City Government officials had explained previously that the Japanese plans, at a suggestion made by one section of the Settlement community, will be taken into consideration when the talks on the problem resume.

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THE CHINA PRESS, TUESDAY, MAY 11, 1937

Yui Expounds Chinese View On Extra Roads

**Says Story On Tax
Division Rather
Misleading**

The stand of the City Government regarding the outside roads question has remained unchanged despite the present deadlock in the negotiations with the Shanghai Municipal Council caused by Japanese opposition, declared Acting Mayor O. K. Yui of Greater Shanghai in a press interview yesterday.

The policy of the City Government, the Acting Mayor said, has been one that upholds the preservation of Chinese sovereign rights with due consideration to the historical circumstances that have led to the existence of extra-settlement roads in Shanghai.

It was on the basis of this understanding that both parties, Acting Mayor Yui pointed out, have been able to reciprocate with sincerity in negotiations for a settlement of the long outstanding issue. It is indeed regrettable, the Acting Mayor stated, that a settlement of the question has repeatedly been delayed due to exorbitant intentions in the matter on the part of local Japanese authorities.

Commenting on the proposal submitted by the Japanese Consul-General, Acting Mayor Yui said that this may only be intended for reference purposes, as the Shanghai Municipal Council is the immediate party to deal with on the question.

The Acting Mayor branded reports about the contents of the draft agreement reached between City Government and S.M.C. saying that the former is to get 51 per cent on the tax collected from outside areas and the latter to get 49 per cent and that the Japanese are planning to create a Japanese Concession in Hongkew as rather misleading.

Tax Plan For Outside Roads Told In Report

Settlement Would Get
49%, City Government
51% Of Levies

The understanding reached between the City Government of Greater Shanghai and the Shanghai Municipal Council on the apportioning of rates and taxes in the extra-settlement road areas as well as on the problem of police administration was revealed here yesterday in a Chinese press dispatch from Nanking.

According to this report, the tentative agreement, hitherto unrevealed, is said to have provided that the Council would receive 49 per cent of the total tax and rate receipts of the outside road areas, while the City Government will receive 51 per cent of the levies.

A special police bureau, according to the dispatch, would be organized with a Chinese as head of the organization. He would be assisted by a foreign assistant commissioner. The tentative agreement, recently initiated by Mr. O. K. Yui, Acting Mayor, and Mr. Stirling Fessenden, S.M.C. Secretary-General, is reported to have established the right of the Chinese to police the area.

The Japanese protest to the tentative agreement, it was stated, is not likely to affect this arrangement. Although the Ministry of Foreign Affairs in Nanking had received no official information of the proposals made by Mr. N. Yoshioka, Japanese Consul, it was revealed that the points now at issue concern the telephone question and the geographical demarcation of the outside roads area.

The Japanese memorandum proposed that the service of the Shanghai Telephone Company should be extended to the outside road district without any royalty charges by the Chinese Telephone Administration. Also, the proposals suggested that areas lying 100 meters from the road should be included in the extra-settlement road area.

The Chinese press dispatch from Nanking is said to have been based on a report made by the City Government to the Waichiaopu.

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THE SHANGHAI SUNDAY TIMES, MAY 9, 1937

Outside Roads Rate Collection Plan

Chinese reports from Nan-
king yesterday indicated that
the recent *modus vivendi* for
the collection of rates in the
extra-Settlement areas, which
was initiated by Mr. O. K. Yui
and Mr. Stirling Fessenden on
behalf of the Shanghai City
Government and the S.M.C.,
respectively, and to which the
Japanese authorities entered
an objection, provided that 51
per cent. of the taxes collected
in the areas should go to the
City Government while 49 per
cent. should go to the S.M.C.

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Japanese Roads Plan Referred To O.K. Yui

Council Hears Explanation Of Proposals But Defers Action Until Later

After seven years of protracted negotiations, marked by repeated deadlocks, the extra-Settlement road issue, together with the pressing problem of obtaining a solution satisfactory to all interests, again confronted members of the Shanghai Municipal Council yesterday as they made a preliminary study of the latest Japanese proposals at their regular meeting yesterday afternoon.

No headway was made yesterday by the Council in adopting definite action regarding the memorandum on the outside road question recently presented to its Secretary-General, Mr. Stirling Fessenden, by Mr. N. Yoshioka, Acting Japanese Consul-General.

At the present time, the formal Japanese proposals are being studied by Mr. O. K. Yui, Acting Mayor of Greater Shanghai. Before his views are conveyed to the Council, the latter is not likely to act on the question.

Fessenden Explains

During the meeting yesterday afternoon, Mr. Fessenden made a brief explanation and report on the Japanese memorandum. The Councilmen were informed of the implications of the proposals, especially with regard to the negotiations which had been going on for the past seven years.

At the suggestion of Mr. Cornell S. Franklin, Council Chairman, discussion on the issue was postponed until a later date when the views of the City Government of Greater Shanghai are known.

As public interest continued to mount yesterday on the city's most controversial problem, much speculation was aroused over the contents and import of Mr. Yoshioka's proposals.

Apart from the fact that the Japanese memorandum deals with rates, tax, police, public utilities and other problems in the outside road areas, nothing is known regarding the specific suggestions of the plan. The Council, at the request of Mr. Yoshioka, has kept the proposals confidential.

In a conversation with Mr.

Fessenden yesterday, a CHINA Press reporter was given to understand that the obstacles which blocked the solution of the extra-Settlement question in 1935 might again threaten to deadlock the present negotiations.

At that time, the modus vivendi worked out by Mr. Fessenden and Mr. Yui was rejected by Mr. Itaro Ishii, then Japanese Consul-General at Shanghai.

To allay Japanese objections, subsequent talks were conducted between Mr. Fessenden, Mr. Yui and Mr. Ishii, resulting in a satisfactory solution of practically all the major points at issue. A final solution of the outside road issue, however, was balked by two problems on which the Japanese were unwilling to accept any compromise.

The first problem at that time was the geographical demarcation of the outside road areas. Despite the fact that the City Government was willing to mark areas 100 meters from the outside roads as within the boundary of the extra-Settlement road, the Japanese refused to accept such a compromise choosing to stand pat on more drastic demands.

Phone Issue Disputed

The second point which ultimately deadlocked the negotiations in 1935 was on the telephone question. The Japanese insisted that in the outside road area, the residents be allowed to use the service of the Shanghai Telephone Company. This demand, the Chinese refused to accept, stating that the outside road area is in the Chinese territory and it therefore should be served by the Chinese Telephone Administration.

A compromise on this problem was later worked out. The City Government was willing to agree to the extension of the Shanghai Telephone Company service to the area if the subscribers would pay \$60 royalty to the Chinese Telephone Administration. This was, however, considered again as unacceptable by the Japanese.

While much of the information on the extra-Settlement road negotiations during the past year were unrevealed to the public, THE CHINA PRESS was informed that the two points on telephone and geographical demarcation formed the chief obstacle which blocked a solution of the question in 1935.

Observers believe that the events leading to the 1935 deadlock will shed light on the present negotiations in view of the fact that the main points of Mr. Yoshioka's memorandum may center around the proposal made two years ago by his predecessor.

Reported Japanese proposal to turn the Outside Road areas in Hongkew into a semblance of a Japanese Concession has drawn the fire of Chinese residents in Hongkew.

At a meeting of the Executive Committee, of the Hongkew Residents Association held at noon yesterday, it was decided officially to bring the matter to the attention of the First Special District People's Association with the request the City Government of Greater Shanghai be urged to lodge a strong protest against the Japanese proposal.

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Council Hears Roads Schemes

Japanese Plans Given To SMC; Chinese Views Aired

Members of the Shanghai Municipal Council will again furrow their brows over new aspects of the complicated outside roads problem when they convene for their regular Council meeting at the Administration Building late this afternoon. The Japanese proposals on the latest tentative plan to settle this question, and the Chinese views on these proposals, will be presented to the Councilors by Mr. Stirling Fessenden, secretary-general of the S.M.C., and a discussion is on the agenda.

Mr. N. Yoshioka, acting Japanese consul-general, has handed Mr. Fessenden the Japanese plans to revise the draft agreement, but these proposals have been kept secret from the public on request of the Japanese official. Mr. Fessenden will acquaint the Council with the nature of these proposals, as well as report on the Chinese views as expressed by Mr. O. K. Yui, acting mayor of the Municipality, with whom Mr. Fessenden conferred yesterday.

Thorny Problem

These proposals deal with the outside road tax and rate problems, administration, police and public utility issues.

The outside roads question has been a thorn in the side of Shanghai officials for the past seven years, ever since negotiations were started to establish their status and jurisdiction. Every time an agreement has appeared imminent other suggestions have been made blocking the final settlement, these blockades usually having been set up by the Japanese. The Japanese object strenuously to Chinese control of the areas, particularly in the northern road extensions, as Japanese interests there are large and many nationals live in that district.

Deny "Concession" Sought

The Japanese deny, however, that they are demanding a "concession" for themselves in the northern district, as rumored among the Chinese. They state that the outside roads constitute "special areas" and should be administered by a joint commission with specially appointed officers.

Another problem slated to be brought to the attention of the Council this afternoon is the Industrial Section report on the mutual problem in Shanghai. This report was made in full several weeks ago and now proposals for implementing the suggestions to alleviate the situation are to be brought up for approval.

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Roads Plan Of Japanese Given S.M.C.

**Yoshioka Sees Fessenden
To Present Proposals
On Outside Streets**

PRINCIPLES OF PLAN SECRET

**Fessenden Sees Consu-
lar Body About
Situation**

The views of the Japanese on how the extra-Settlement road area should be policed and administered were conveyed to the Shanghai Municipal Council yesterday by Mr. N. Yoshioka, Acting Japanese Consul-General, who presented a set of formal proposals to Mr. Stirling Fessenden, Secretary-General of the Council.

While Mr. Yoshioka's proposals were unrevealed, it is understood that the controversial question of outside road rates and tax collection forms only one phase of the various problems embodied in the plan.

The Japanese suggestions, it is learned also deal with the method of policing the outside road area, the way the public utilities should be handled, and the administration of fire control, sanitation and other problems.

Secrecy Asked

Mr. Fessenden informed THE CHINA PRESS yesterday that he had been requested by the Acting Japanese Consul-General not to reveal the contents of the suggested plans.

Yesterday afternoon Mr. Fessenden conferred with members of the Consular Body on the Japanese projects. He told the Press that no plan had been made for bringing the plans up for discussion at the Council meeting on Thursday afternoon.

Mr. Yoshioka's proposals yesterday came as a result of a intensive agitation among local Japanese following the announcement that a draft agreement on tax and rate collection in the extra-Settlement road area had been initiated by Mr. Fessenden and Mr. O. K. Yui, Acting Mayor of Greater Shanghai.

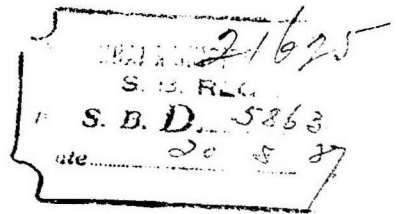
Gaimusho Acts

Through their Foreign Office in Tokyo and through their acting Consul-General here, the Japanese protested against the tentative pact alleging that it encroached on and neglected their interests.

As a result of their opposition, the draft agreement, originally slated to come up before the Council for study and adoption on April 21 was shelved.

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The Shanghai Evening Post & Mercury, Tuesday, May 4, 1937

Fessenden, Yui Study Proposal

Japanese Plan On Road Settlement Talked At Session

A conference on the proposals handed in by the Japanese on the extra-Settlement roads and the way they should be policed and administered by the Shanghai Municipal Council was held this morning between Mr. O. K. Yui, acting mayor of Greater Shanghai, and Mr. Stirling Fessenden, general secretary of the S.M.C.

Questioned on the plans submitted by the Japanese authorities yesterday which are thought to involve the outside roads taxes and tax collection question, and the method by which outside roads should be policed, the public utilities utilized and the manner in which fire control, water and power should be handled, Mr. Fessenden had nothing to say late this morning.

He did state, however, that his conference with Mr. Yui was to decide certain points with regard to the plans submitted by Mr. N. Yoshioka, Japanese acting consul-general, and whether they should be discussed at tomorrow's Council meeting.

The reason that the S.M.C. could not divulge the proposals made by Mr. Yoshioka following agitation in the local Japanese community after a draft agreement by Messrs. Yui and Fessenden had been made on outside roads' collection, was stated by Mr. Fessenden to be the result of the Japanese' express desire that their proposals be kept secret.

When the draft agreement on tax collection had been initiated by Messrs. Yui and Fessenden, local Japanese protested against the pact as they thought it neglected their interests. As a result, through their Foreign Office in Tokyo and through their local Consulate, their protest was voiced to the S.M.C. and the draft agreement which was slated to come up before the Council on April 21 was shelved.

*P.S. Kurosaki
H. Kurosaki*

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Concession Is Not Asked By Japanese Here

Special Area Is Sought To End Controversy On Outside Roads

POLICING AGREEMENT IS OBSTACLE

Council To Consider Plan Offered By Japanese At Meet To-day

Emphatic denials were given last night in reliable Japanese circles to the report current in a section of the local Chinese press to the effect that the Japanese were demanding that, as a prerequisite to a settlement of the Outside Roads controversy, a "concession" be set aside for the Japanese in the northern district.

It was admitted, however, that the Japanese regarded the Outside Roads districts as "special areas" and that they should be administered as such by a joint commission with specially appointed officers.

A section of the vernacular press last night reported that one of the proposals submitted to the Shanghai Municipal Council and the Shanghai City Government regarding the terms of settlement of the controversy regarding the Outside Roads was that a large area in the Northern (Hongkew) District should be regarded as a "concession" for the Japanese. This was vigorously denied in reliable Japanese quarters.

As was pointed out previously, the Japanese consider that any agreement on the Outside Roads between the S.M.C. and the City Government should not be confined to the fiscal side alone. If an agreement is to be reached it must be on the whole issue, the Japanese contend. This embraces not only the collection of rates and taxes, but the question of policing, health, fire protection and other matters relevant to the welfare of residents in these areas.

Same Old Problem

When the same position arose several years ago the proposal was made that the districts involved, and which were considered outside S.M.C. jurisdiction, should come under the supervision of joint Chinese and foreign control. It was then suggested that a foreign police officer should be approved by the Chinese and foreign authorities and that Chinese officers should also be appointed to act with him in supervising the disputed areas.

No satisfactory conclusion was reached on this matter and the *modus vivendi* which was then drawn up lapsed until recently revived by discussions between Mr. O. K. Yui and Mr. Stirling Fessenden. Recently a tentative agreement was reached between these two representatives, but when submitted to members of the Council for consideration, a full Council discussion on the subject was postponed in deference to the wishes of the Japanese members of the S.M.C.

In the meantime new proposals were submitted to the Council by Japanese representatives, these in turn being submitted to the Consular Body and these will to-day be considered by the Council.

The exact nature of the proposals has not been disclosed, but it is known that they involve a much wider aspect of the whole problem than the mere collection of taxes on the Outside Roads.

Dr. Kumaashita
R. Kumaashita

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THE SHANGHAI TIMES, TUESDAY, MAY 18, 1937

Consular Body To Convene

Extra-Settlement Areas Issue Passed Over For Decision

The knotty question of jurisdiction and collection of rates in the extra-Settlement areas has been shifted to the Consular Body for their decision, according to Chinese press reports, in an effort to settle the issue once and for all in terms favourable to the various interested nationals.

It has been ascertained, the reports continue, that the S.M.C. will not touch the matter when it meets on Thursday. A report has been made by Mr. Stirling Fessenden, Secretary General, to the Consular Body, outlining the tentative agreement which was initialled recently by himself, on behalf of the S.M.C., and by Mr. O. K. Yui, on behalf of the City Government.

Japanese opposition or counter-proposals have twice caused postponement of the discussions on a *modus vivendi* for the collection of taxes in the extra-Settlement areas. Unofficial circles believed that the provisional agreement gives the Chinese the power to collect the tax and to pay over part to the S.M.C.

The Japanese have denied Chinese reports that their proposals aim at marking out particular roads as their own special districts. This impression persists among Chinese circles, however, and at a recent interview Mr. Yui declared that they would not compromise on the question although a satisfactory settlement might take long to reach.

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Councillors To Discuss Road Question Today

Members Will Exchange View On Issue At Regular Meet

NO DECISION ON PROBLEM LIKELY

Definite Stand On Japanese Proposal Not Yet Reached By Council

When the Shanghai Municipal Council meets for its regular meeting this afternoon, the tangled outside road question will again come up for a brief discussion.

Council officials were of the opinion yesterday that no tangible decision on the matter is likely to be reached. Members of the S.M.C. who were informed of the contents of the Japanese memorandum on the question, are slated to exchange views on the way of solving the extra-settlement road problem.

The present delay in the settlement of the problem arose out of a Japanese memorandum presented to the Council by Mr. N. Yoshitaka, Consul, following the tentative agreement between the City Government of Greater Shanghai and the Council on a fiscal modus vivendi.

Although the contents of Mr. Yoshitaka's proposals were never released it is understood that he put forth the objection of his Government against the preliminary financial agreement.

It is also known that the Japanese desire to have a more comprehensive outside road pact, touching on revenue, telephone, police and geographical demarcation of the area.

Reports in the past had stated that the Japanese want inclusion of area 100 meters from the outside roads in the "special" district. Furthermore, they also asked for the extension of the services of the Shanghai Telephone Company into the district.

A copy of the Japanese proposal was forwarded to the City Government by the Council. No conference for discussing the issue has yet taken place.

Council officials yesterday flatly denied the reports that the outside road question had been turned over to the Consular Body for discussion.

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The Shanghai Evening Post & Mercury, Monday, May 10, 1937

Outside Roads Pact Released

SMC Gets 49 Percent Of Taxes; Special Police Provided

The tentative agreement reached between the City Government of Greater Shanghai and the Shanghai Municipal Council in regard to the question of extra-settlement roads, providing for the Council to receive 49 per cent of the total tax and rate receipts of the outside road areas, was made public in Shanghai yesterday through a Chinese press dispatch from Nanking.

The agreement also provides, according to the dispatch, a special police bureau with a Chinese as the head of the organization assisted by a foreign commissioner. It is stated that the tentative agreement initialed by Mr. O. K. Yui, acting mayor of Greater Shanghai, and Mr. Stirling Fessenden, S.M.C. secretary-general, provides the right of the Chinese to police the area.

The dispatch further reveals that the tentative agreement would not be affected by Japanese opposition. It is revealed that proposals conveyed by the Japanese consul, Mr. N. Yoshioka, concern issues on the telephone question and the geographical demarcation of the outside roads area, although the Nanking ministry of Foreign affairs had received no official information.

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Japanese Draft Roads Schemes

Proposals For Outside Roads Settlement Prepared

Proposals for the settlement of the controversial question of taxation in the extra-settlement area will shortly be submitted by the local Japanese Consul-General to Mr. Stirling Fessenden, secretary-general of the S.M.C., it was learned today.

The proposals, Japanese reports state, have already been drafted, following a thorough study of the provisional agreement initialled last month by Mr. Fessenden and Mr. O. K. Yui, acting mayor of Greater Shanghai.

Immediately following the signing of the accord, to which the local Japanese authorities strongly objected, the Consul-General asked the Tokyo Foreign Office for instructions.

The reports did not explain whether the proposals were based on Tokyo instructions or were drafted independently by the consular experts here.

The local Japanese authorities, the reports declared, are well aware of the Municipal Council's thin coffers as well as of the fact that "it is much more beneficial to settle the matter than to let it hang fire."

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THE NORTH-CHINA DAILY NEWS, SUNDAY, APRIL 25, 1937

JAPANESE STAND ON OUTSIDE ROADS

Detailed Report Made to Residents' Corporation

A detailed report on the outside roads question was made to the Foreign Affairs Committee of the Japanese Residents' Corporation by the latter's president, Mr. Masusaburo Amano, on Thursday, the local Japanese papers reported yesterday.

The body later discussed at length the recent initialling of a provisional agreement on the payment of taxes by outside roads residents by Mr. Stirling Fessenden, Secretary-General of the S.M.C., and Mr. O. K. Yui, acting Mayor of Great Shanghai.

Following the meeting, Mr. Amano, accompanied by four members of the committee, called on Mr. Ichiro Kawasaki to learn of the latest developments in the question.

25/4

Outside Roads Taxation Issue Troubles S.M.C.

Fessenden-Yui Agreement
Under Japanese Fire

A DELICATE SITUATION

Threat of "Ideal Special
District"

The new Shanghai Municipal Council has begun work in earnest. At its first ordinary meeting on Wednesday the consideration of the tentative agreement on Outside Road taxation reported to have been reached by discussion between Mr. O. K. Yui, the Acting Mayor of the City Government, and Mr. Stirling Fessenden, Secretary-General of the Council was postponed to permit Japanese Members to study its conditions. This was followed yesterday by an emergency meeting, at which it is understood the Council had the full position in regard to the Yui-Fessenden talks explained to it by Mr. Fessenden himself. The tenor of the exposition was not officially disclosed, just as no formal statement was forthcoming after the meeting on Wednesday, but it is clear, from observations made to a representative of the "North-China Daily News" by a resident well in touch with Chinese opinion, that a delicate situation has arisen. Referring directly to this journal's comment yesterday and, particularly to its warning

"The danger of delay has been consistently preferred to the risk of making an agreement which at the time seemed to be insufficiently guarded at all points. The result—events right up to the Tifeng Road affair confirms this view—has been that ground held by the Council at one time has been made untenable subsequently."

the informant declared that it accurately summed up the position from the Chinese point of view.

It is gathered that, as the Chinese municipal authorities virtually came to the Council's rescue in the Tifeng Road settlement, they are not disposed to accept any proposals less favourable than implied therein. This attitude is believed to have found expression in the provisional agreement to which Mr. Fessenden is said to have put his initials, he being, as the result of seven years' experience, thoroughly aware of the impressions created by frequent approaches to solution, followed almost immediately by as frequent resilements, of which the latest example is thought to have been given by the new Council's postponement on Wednesday.

The Japanese View

The Chinese view is not the only factor in this problem. Japanese opinion is forcibly against any limited agreement—that is an agreement which deals merely with the collection of taxation, leaving the administrative issues such as policing and sanitation to be dealt with later. It is possible therefore, that the Council will be between two fires: Chinese determination to stand on the offer made by Mr. O. K. Yui, with the covert hint that if it be not accepted the next one will be less favourable; Japanese insistence on the treatment of the Outside Roads problem as a whole, backed up with the intimation that the alternative may be the carving out of a Japanese "special area" for the satisfaction of Japanese notions of security.

It is, however, pointed out that the Council, unwittingly or otherwise, has already gone far to establish the principle that the City Government should be responsible for collecting taxes on the Outside Roads and for passing the revenue on to the Council after deduction of an agreed percentage which is understood to be the main feature of the Yui-Fessenden draft agreement. Leaving out of account the Tifeng Road collections by which the principle was recognized it is evident that the Council has acquiesced in the City Government's assertion of its authority in, for example, the negotiations with labour. The now settled tram strike was apparently the subject of no effort on the Council's part. The City Government took the initiative in dealing with the strikers, as it had done on other recent occasions of labour unrest. Yet the trams operating in the Settlement do so under a Council franchise.

Utility Companies' Action

Similarly the separate negotiations, successfully conducted by the Telephone Company and the Shanghai Power Company with the City Government, although those concerns are Utility Companies with Council franchises, are looked upon as definitely impairing the Council's authority on the Outside Roads, or, rather, taking from the Council the power to maintain more than the position taken up by Mr. Fessenden in the discussions with Mr. Yui.

The seriousness of the outlook lies in the fact that the Council may be faced by the choice between a reversion to the rigid attitude which appears to be favoured by the Japanese, and a prompt endorsement of the Fessenden-Yui pact, subject to the reservation that it leaves entirely open the administrative issues to which the Japanese attach special importance. It is doubtful whether the Japanese at the present would be placated by such reservation. Altogether the new Council seems likely to receive an early baptism of political fire.

Japanese Press Comment

Taking issue with critics of the Japanese official attitude towards the conclusion of an accord between the Shanghai Municipal Council and the Municipality of Greater Shanghai for the collection of taxes in extra-Settlement areas, the local Japanese press discussed the issue in lengthy editorials yesterday.

The gist of the contentions advanced by both the Shanghai "Nippon" and the Shanghai "Mainichi" was that a solution of the whole extra-Settlement roads question should be sought at this time, instead of limiting the agreement to the tax issue alone.

APRIL 23, 1937
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THE SHANGHAI TIMES, SATURDAY, APRIL 24, 1937

JAPANESE INFORMED OF ROAD PACT

Tentative Agreement Is
Outlined To Nippon
Residents Here

A detailed report on the outside roads question was made to the Foreign Affairs Committee of the Japanese Residents' Corporation by the latter's President, Mr. Masusaburo Amano, on Thursday, the local Nipponese papers reported yesterday.

The body later discussed at length the recent initialling of a provisional agreement on the payment of taxes by outside roads residents by Mr. Stirling Fessenden, Secretary-General of the S.M.C., and Mr. O.K. Yui, Acting Mayor of Greater Shanghai.

Following the meeting, Mr. Amano, accompanied by four members of the committee, called on Mr. Ichiro Kawasaki to learn of the latest developments in the question.

—Domei.

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Extra Roads Tax Compact Tiff Averted

Council Delays Discuss-
ing Vital Issue Until
Next Meeting

**ONLY ROUTINE
ISSUES COME UP**

Meanwhile, Compromise
With Japanese To Be
Sought By Fessenden

Averting a frontal attack from its two Japanese members, the new Shanghai Municipal Council, at its first business meeting yesterday afternoon, delayed the discussions on the controversial extra-settlement road tax problem.

The issue, centering around a recently-initiated agreement on outside tax collections between the City Government and the Council, was put off until the next Council meeting on May 5.

During the intervening time, the Council, through its Secretary-General, Mr. Stirling Fessenden, is expected to iron out the objections raised by the local Japanese community, which strenuously opposes the tentative tax pact on the grounds that it failed to consider the interests of the Nipponese.

Mr. N. Yoshioka, Acting Japanese Consul General, who Monday called on Mr. Fessenden to lodge his government's official protest, is slated to present a compromise proposal based on the point of view of his nationals in Shanghai.

If the proposals of the Japanese are deemed acceptable by both the City Government and the Council, some modification might be made to the present pact before it is tabled again for the discussion of the Council.

Handles Routine

The Council meeting, originally scheduled to act on the tentative pact, only disposed of a number of routine tasks on the agenda. It was adjourned after a session lasting less than 10 minutes.

Meantime, the contents of the tentative pact, yet unannounced by the Council, provoked added speculation in both Chinese and foreign communities yesterday. The essential points of the agreement, recently revealed exclusively in THE CHINA PRESS, was yesterday confirmed by non-official but highly authoritative sources as correct.

Pay For Utilities

The City Government, according to this pact, is recognized in principle as having the right to collect taxes and rates in the outside road areas. A certain portion of the levies is to be paid by the City Government to the Council as a compensation for utilities and other benefits enjoyed by the residents.

In addition to these points, it was also learned yesterday that a tax office, would be established for the purpose of collecting levies in the outside road areas. This organization would be set up by the City Government, with a certain number of its staff to be nominated by the Council.

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Japanese Protest To S.M.C.

Rate Collection Move On
Outside Roads Is
Objected To

IS TERMED "EXTREMELY UNFRIENDLY"

TOKYO, April 20.—The tentative agreement on the collection of taxes on extra-Settlement roads, reached recently between the Shanghai Municipal Council and the Municipality of Greater Shanghai, is meeting with opposition from Japan.

The Foreign Office here is learnt to-day to have instructed the Acting Consul-General in Shanghai, Mr. N. Yoshioka, to protest to the parties to the agreement against the Council's transfer of taxation rights in the extension areas to the Municipality of Greater Shanghai without the Japanese Government's previous knowledge.

The move is termed as "extremely unfriendly."

The agreement in question, initialled on April 13 by Mr. S. Fessenden, Secretary-General of the Municipal Council, and Mr. O. K. Yui, Acting Mayor of the Municipality of Greater Shanghai, is reported to provide for the S.M.C.'s recognition, in principle, of the right of the City Government to collect taxes and rates in extra-Settlement roads.

It is also reported to stipulate that the Council is to act as proxy of the City Government in collecting taxes, and that a portion of the levies thus collected is to be paid to the S.M.C. by the City Government as compensation for public utilities and other benefits enjoyed by the residents in the outside areas.—Reuter.

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JAPANESE OBSTRUCTION

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THE extra-Settlement roads question which bids fair to be settled once for all is now again made the subject of unwarranted opposition from the Japanese. It is reported that Mr. N. Yoshioka, Japanese Consul, has made a personal call on Mr. Stirling Fessenden, Secretary-General of the Shanghai Municipal Council, and has reiterated the Japanese objection to the tentative agreement between the Council and the City Government of Greater Shanghai.

The chief point of dispute in the agreement under discussion is the collection of the municipal rate. The Chinese authorities have maintained that the Council has no right to tax the Chinese residents domiciled on the extra-Settlement roads, and the Council but recently saw fit to barricade one of the lanes on Yu Yuen Road as a test case. In consequence a compromise arrangement was made by which the Council is to act as the proxy of the City Government in the collection of the rate and to pay into the Chinese municipal coffer a percentage of the rate so collected.

The agreement is expected to iron out the most serious differences arising from the extra-Settlement roads, and no foreign nationals other than the Japanese have ventured to dispute the authority of the Council in entering into this agreement with the Chinese authorities.

The objection of the Japanese is not new. It was raised in 1932 and in 1934 and is raised once again. Exactly what the Japanese want is not known, nor have the Japanese been candid enough to tell the public what they want.

From a recent issue of *The Shanghai Mainichi* one gathers a faint impression of the Japanese wishes. As it says:

The local Japanese community . . . has continuously sought to bring about an amicable settlement of the (outside road) problem, in the desire of creating an ideal residential zone. On one hand, the Chinese have been engaged in the talk of the theory of sovereignty, and the S.M.C. has been hoping for a favorable turn in the situation, paying no attention to the needs of the residents. What is needed is a compromise agreement, which would consider the interests of the Japanese residents. . . Why did the Council, aware of the possibility of a compromise agreement, make such a concession to the Chinese authorities?

The so-called "interests of the Japanese residents" are indefinable. Surely they cannot be different from those of any other national group in the Settlement; surely, the Japanese cannot object to the payment of the municipal rate in the same manner as all other residents. If they do not so object, then what interests could be possibly sacrificed by the Council in concluding the agreement in question with the City Government?

It is common knowledge, of course, that many Japanese residents have failed to pay rentals for houses they occupy in the Northern district under one legal pretext or another, and it is thus logical to presume that they would hardly be agreeable to the payment of the municipal rate. Yet what individual Japanese may choose to do is vitally different from what the Japanese Consul may officially say. Since Mr. Yoshioka has officially reiterated the Japanese objection to the agreement concerned, will he be so good as to enlighten the community on the legal basis on which the objection may be justified?

From *The Mainichi* one also reads of its reference to "the theory of sovereignty" which the Chinese have been "talking" about. This Japanese journal should be given to understand that the sovereignty of China is not a theory but a fact officially recognized by the Japanese Government. If it continues to be imprudent in its remarks, the Japanese Consul may perhaps of his own accord take disciplinary action to maintain the spirit of international comity just as the Chinese authorities did in upholding the dignity of the Japanese Throne against a Chinese journal.

At any rate the agreement, with or without the Japanese consent, should be signed and made binding on the Council and the Chinese City Government. Both parties thereto have full authority to act in the best interests of the community, and if the Japanese should refuse to pay the municipal rate, we believe the Council will not hesitate to take the same action against them as it did against the Chinese residents on Yu Yuen Road. The prestige of the Council is at stake, and nothing should be permitted to jeopardise it in any manner.

Japanese Ire Stirred By Extra Roads Tax Plan; Protest Ordered

**Tokyo Regards Accord
As "Extremely
Unfriendly"**

**FIREWORKS SEEN
AT COUNCIL MEET.**

**Japanese S. M. C. Mem-
bers Expected To
Voice Opposition**

TOKYO, Apr. 20.—(Reuters).—The tentative agreement on the collection of taxes on extra-settlement roads, reached recently between the Shanghai Municipal Council and the Municipality of Greater Shanghai, is meeting with opposition from Japan.

The Foreign Office here is learned today to have instructed the Acting Consul-General in Shanghai, Mr. N. Yoshioka, to protest to the parties to the agreement against "the Council's transfer of taxation rights in the extension areas to the Municipality of Greater Shanghai without the Japanese Government's previous knowledge."

The move is termed as "extremely unfriendly."

The agreement in question, initiated on April 13 by Mr. S. Fessenden, Secretary-General of the Municipal Council, and Mr. O. K. Yui, Acting Mayor of the Municipality of Greater Shanghai, is reported to provide for the S.M.C.'s recognition, in principle, of the right of the City Government to collect taxes and rates in extra-settlement roads.

It is also reported to stipulate that the Council is to act as proxy of the City Government in collecting taxes, and that a portion of the levies thus collected is to be paid to the S.M.C. by the City Government as compensation for public utilities and other benefits enjoyed by the residents in the outside areas.

**Heated Council
Meeting Foreseen**

A verbal bombardment against the tentative agreement on extra-settlement road tax collection is expected to be made by two Japanese members of the Shanghai Municipal Council this afternoon when the preliminary road pact comes up for discussion at the Council meeting at 4.30 o'clock.

Although originally scheduled to study the tentative pact and possibly to give its approval to the contents, the meeting this afternoon is now believed unlikely to act on the agreement as a result of the strenuous objection raised by members of the Japanese community.

The stand of the local Japanese was outlined to the Council Monday when Mr. N. Yoshioka, acting Japanese Consul-General, called on Mr. Stirling Fessenden, S.M.C. Secretary-General, to point out that the provisions of the pact, as it now stands, are not acceptable to the Japanese.

See Little Hope

Contacted by THE CHINA PRESS yesterday high officials of the Council admitted that they see little hope of an early solution of the outside road question if the Japanese refuse to change their present attitude.

It was revealed that a so-called compromise plan is now being worked out by the Japanese. Mr. Yoshioka is reported to be scheduled to present such a plan to the Council in the near future.

Although the exact provisions of the tentative pact are unknown, it was stated that in the agreement the S.M.C. recognizes, in principle the right of the City Government to collect taxes in the outside road areas. It also stipulated that the Council is to act by proxy for the City Government in collecting the levies. A portion of the taxes and rates is to be paid to the Council by the City Government as compensation for public utilities and other benefits enjoyed by the residents.

While the agreement is viewed as a forerunner for a more comprehensive pact on the entire outside road question, the fiscal arrangement worked out is in itself urgent and necessary from the point of view of S.M.C. finances. It was revealed that a large number of residents, Japanese included, are dodging tax payment to both the Council and the City Government as a result of the present status.

Unless a fiscal modus vivendi is worked out, the Council will continue to lose a large amount of tax money.

Use Similar Tactics

Observers recalled yesterday that the stand now being taken by the Japanese is similar to the one they took last year in blocking the tentative agreement on factory inspection.

At that time, when the factory pact came up for the Council's approval, the two Japanese members cast the only dissenting votes. Later when the pact was passed on to the Consular Body, the objection of the Japanese Consul-General finally succeeded in bringing about a veto which resulted in the foreign consuls' action in throwing out the pact as unacceptable.

Five years ago, the Japanese objection resulted in the "shelving" of the outside road negotiations which up until that time had been nearing a speedy solution. Later, in 1934, when the outside road question again came up, the Japanese Consul-General for the second time blocked its final solution by his stand.

Notice Given Of Japanese Objection On Roads Pact

**Consul Yoshioka Calls
At Council To State
Non-Acceptance**

**RECENT ACCORD
GIVEN SET-BACK**

**Inclusive Settlement Of
Extra Roads Issue
Now Prejudiced**

Objection on the part of the local Japanese, similar in nature to the one they raised in 1932 and 1934, may again prevent an early solution of the extra-Settlement road question.

This was indicated yesterday when Mr. N. Yoshioka, Japanese Consul, called on Mr. Stirling Fessenden, Secretary General of the Shanghai Municipal Council, to point out formally that the tentative agreement on outside roads tax collections, reached between the City Government of Greater Shanghai and the Council, is not acceptable to the Japanese.

As a result of this interview, it was feared that the discussion and review of the fiscal arrangement by the Council, originally scheduled for this Wednesday, may be postponed until the objections of the Japanese are ironed out.

Observers pointed out that the stand now taken by the Japanese may again prevent the settlement of the outside road issue which has been "shelved" for the past three years chiefly because the Japanese indicated in 1932 and 1934 that the original agreements worked out by Mr. Fessenden and Mr. O. K. Yui, then Secretary-General of the City Government, were not acceptable.

Districts Marked Off

While the contents of the new Yui-Fessenden tax pact were still unannounced, it was stated unofficially that the extra-Settlement road areas were divided in the agreement into the "Northern" and "Western District."

It was stated that in the "Western" areas the Council is to act as the proxy of the City Government in collecting municipal rates and taxes. Out of the amount collected, the City Government is to pay the Council a certain sum as compensation for utilities and other benefits enjoyed by the residents. A small portion of the tax, according to these reports, is to be retained by the City Government.

This tentative agreement, it was stated, was labelled as "unacceptable" by the Japanese on the ground that it did not take into consideration the so-called interests of the local Japanese community.

Mainichi Comments

What is considered by observers as the official view of the local Japanese community was contained in a recent editorial of the Shanghai Mainichi, which stated in part:

"The local Japanese community has continuously sought to bring about an amicable settlement of the (outside road) problem, in the desire of creating an ideal residential zone. On one hand, the Chinese have been engaged in the talk of the theory of sovereignty, and the S.M.C. has been hoping for a favorable turn in the situation, paying no attention to the needs of the residents. What is needed is a compromise agreement, which would consider the interests of the Japanese residents. Why did the Council, aware of the possibility of a compromise agreement, make such a concession to the Chinese authorities?"

The present Japanese objection, if it achieves the desired result, will be the third time that such a stand has held up the settlement of the outside road question.

In August, 1932, after both the British and American diplomatic representatives had notified the Council of their approval of the *modus vivendi*, the Japanese Consul-General informed the Council that he was not prepared to accept the arrangement.

His chief objection against the tentative agreement worked out by Mr. Yui and Mr. Fessenden, it appeared, had to do with the police administration in the outside road area.

Blocks Larger Pact

In October, 1934 when the outside road negotiations were resumed, the Japanese Consul-General again refused to accept the Yui-Fessenden agreement on the geographical demarcation and definition of the outside road area.

Although the present agreement only includes provisions on tax collection, it is viewed by the Japanese as a forerunner for a more comprehensive outside road agreement touching on the entire scope of the question.

Observers stated that the Japanese are therefore intent on withholding their support to the initial agreement, thus making it impossible for any further and more comprehensive pact to be formulated.

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S. E. REGISTRY
No. S. B. D.
Date

THE SHANGHAI SUNDAY TIMES, APRIL 18, 1937

Local Japanese Opposed To Proposed "Roads" Pact

Nippon Journal Refers To "Abrupt Signing" Of Tentative Agreement Without Consultation Of Their Desires; Previous Discussion Recalled

Objection to the "abrupt signing" of a provisional accord on house taxes in the extension areas was voiced in its editorial columns yesterday by the Shanghai "Mainichi."

Mr. H. E. Arnhold, former Chairman of the Shanghai Municipal Council, announced on Thursday, at the ratepayers' meeting, the conclusion of an agreement between the Council and the Shanghai City Government on the previous day.

"Although the nature of the accord has not been revealed," the journal said, "we understand that it provides for the collection of the house taxes by the City Government, while a certain percentage of the receipts will be turned over to the S.M.C., in consideration of its investments in the Extra-Settlement areas and for the facilities it gives these areas."

There is no doubt, said the daily, that "under the present circumstances," the Council will approve of the accord.

The extension roads made their appearance, according to the "Mainichi," in 1927, almost simultaneously with the establishment of the Nationalist Government in Nanking.

Negotiations Started

"With the general improvement in the internal situation, the Chinese authorities shortly afterwards began negotiations for the return of these areas to Chinese jurisdiction.

"Negotiations in this matter," said the journal, "have been in progress between the S.M.C. and the City

Government ever since the outbreak of the Manchurian incident.

"The local Japanese community, many of whose members reside in the Western and Northern extension areas, has continuously sought to bring about an amicable settlement of the problem, in the desire of creating an ideal residential zone.

"On the other hand," the journal asserted, "the Chinese authorities have been engaged in idle talks on the theory of sovereignty, ignoring the actual state of affairs, and the S.M.C. has been hoping for a favourable turn in the situation, paying no attention to the needs of the residents.

"Compromise Needed"

"What is needed is a compromise agreement, which would consider the interests of the Japanese residents, as well as of the S.M.C. and the City Government."

The journal suggested that such a compromise would have been arranged, if not for the aggravated state of Sino-Japanese relations and the departure of the Japanese officials directly concerned with the matter.

The "Mainichi" concluded its editorial with a query:

"Why did the Municipal Council, aware of the possibility of a compromise agreement among the Japanese residents, the City Government and the S.M.C., make such a concession to the Chinese authorities?"

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Pact On Outside Road Tax System Initialed Here

Mayor Yui, Fessenden
Conclude Agreement
On Rate Payment

ACCORD TO AVOID
SECOND "SIEGE"

City Government Lauds
Spirit Of Council
In Negotiations

An agreement embodying the tentative arrangement for collection of municipal rates in the outside-Settlement road areas was initialed this morning by Acting Mayor O. K. Yui of the Municipality of Greater Shanghai and Mr. Sterling Fessenden, secretary-general of the Shanghai Municipal Council, at the City Government building.

Contents of the agreement, which is expected to prevent a repetition of drastic action such as that taken by the Council against the "Stupid Valley Village" residents last month, however, were not disclosed this morning.

Interviewed by the Shanghai Evening Post at noon, Acting Mayor Yui expressed deep appreciation of the spirit of the Council in arriving at the agreement. The question about tax collection on the extra-Settlement road areas should not be further delayed, he stated. In concluding the agreement, Acting Mayor Yui continued, the City Government was guided by the principle of protecting the Chinese sovereign rights and at the same time, the principle of fairplay.

The agreement concerning the tentative arrangements for tax collection may eventually pave the way to a complete agreement for administration of the outside-settlement roads, he hoped.

Negotiations on the arrangements for tax collection in the outside-Settlement road areas were started immediately following the settlement of the Council siege of "Stupid Valley Village," the block of three-story foreign-style houses bordering Bubbling Well, Tifeng and Yu Yuen Roads. It is generally believed that the arrangements embodied in the agreement initialed this morning were in substance similar to the arrangements reached to solve the siege. Under that scheme, the residents pay the 12 per cent municipal rates to the City Government in technical recognition of the Chinese sovereignty over the area while, the City Government turns over the receipts, partly or wholly, to the Council as a "compensation" for the public utility facilities enjoyed by the residents.

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Talks Opened Anew Over Outside Roads

**Yui Meets Fessenden
In Following Up Re-
cent Tax Accord**

**1ST DISCUSSIONS
SINCE 1934**

**General Principles Are
Believed Gone Over
Yesterday**

Foreshadowing an early settlement of the controversial extra-Settlement road question, the first discussion during the past two years to solve the problem was held yesterday between Mr. O. K. Yui, acting Mayor of Greater Shanghai, and Mr. Stirling Fessenden, Secretary General of the Shanghai Municipal Council.

Although the result of the meeting, following the usual practice of the two negotiators during the past several years, was not revealed to the press, it is understood that a discussion on general principles took place.

The tacit understanding on various points achieved during yesterday's conversation is to be studied in detail by both parties. Another meeting is likely to take place some time next week when the discussion will be resumed.

Tax Issue Settled

Yesterday's conference between Mr. Yui and Mr. Fessenden followed the understanding achieved last month when the tax siege on a block of houses in the Yu Yuen and Tifeng Roads district was settled.

A meeting between Mr. Yui and Mr. Fessenden was originally scheduled to take place during the week of March 22. As a result of the appointment of General Wu Ts-chen, former Greater Shanghai Mayor, to his new Kwangtung Chairmanship post, the meeting was postponed.

The conference yesterday, reopening a question which had been deadlocked for some five years, was the first discussion of the problem between the two veteran negotiators since late 1934.

At that time, after protracted talks, the tentative agreement reached between Mr. Yui and Mr. Fessenden was nullified as a result of the staunch opposition of the Japanese Consul-General. Since then the question had been shelved until the Tifeng Road tax war, which again thrust the outside roads question into the news and political forefront.

Negotiators Reticent

While neither party was willing yesterday to discuss the scope of the talk and the possible points to be included in the agreement, observers believe that the settlement of the outside roads issue devolves on the following major points:

1. The definition of the term "extra-Settlement road." This point will include a geographical demarcation of the section of territory to which the agreement would apply.

2. The financial and revenue problem. On this problem, a settlement would naturally include the disposal of tax collected from the tenants and the authority which will collect such tax.

3. The organization of the police force which will be responsible for policing the extra-Settlement road district. If such a separate police organization is found to be necessary, the question on the personnel, maintenance and power would have to be discussed and settled.

4. Public utility. The charges of telephone, power, light, gas and water in this new district will form another question which is likely to be included in the talks and the agreement.

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Whole Extra Roads Issue To Forefront

Western District Clash Results In Plan To Renew Parleys

YUI, FESSENDEN MEET NEXT WEEK

Meanwhile, Both Officials Busy Preparing Their Arguments

By WOO KYATANG

With the Tifeng Road tax impasse finally settled, Shanghai residents yesterday turned their attention toward the knotty extra-settlement road question, which is scheduled to be re-opened for discussion after a deadlock of nearly five years as a result of the Yui-Fessenden understanding Wednesday.

The first preliminary meeting to discuss a fiscal arrangement on the outside road areas, THE CHINA PRESS learned, is scheduled between Mr. Stirling Fessenden, Secretary-General of the S.M.C., and Mr. O. K. Yui, Secretary-General of the City Government, early next week, possibly Monday.

At the first meeting, the two officials, who have been negotiating this same question off and on for the past five years, will try to outline a general plan of approaching the problem, it was learned.

When the scope and purpose of the talks are arrived at by Mr. Fessenden and Mr. Yui, the two will then proceed to discuss the method of the settlement.

Both Officials Busy

Meantime, both officials were yesterday busy preparing their cases for the first meeting next week.

Although it was impossible to learn exactly what will be discussed, the writer was given to understand that possibly the first thing the two negotiators will do is to re-examine the *modus vivendi* they reached in 1932 and in the spring of 1934.

It was pointed out to THE CHINA PRESS that the two might proceed on the general outline of the previous *modus vivendi*. On the other hand, it was further stated, Mr. Fessenden and Mr. Yui might change the entire method of approachment, and devise a new plan.

The contents of the 1932 and 1934 *modus vivendi* were never revealed to the press and it was impossible yesterday to learn the main points contained therein.

Those who closely followed the outside road question, however, recalled yesterday that in July, 1932 preliminary steps were taken by Council authorities to open negotiations in the complicated problem. Nearly two years later, on June 4, 1934, a proposed arrangement, which for the lack of a better name, was described as *modus vivendi*, was agreed upon by the City Government and the Council.

One of the conditions under which the discussion was carried out was that any agreement reached would be first subject to the approval of the National Government and the various foreign diplomatic representatives concerned.

The *modus vivendi* thus agreed upon was limited to a general statement of principles which could be applied practically. These included matters concerning police control and administration, taxation and finance, maintenance and repair of roads, operation of public utilities, health and other similar problems.

Details regarding the actual execution of these problems were left for later discussion and adjustment. Also, another important problem regarding the actual demarcation and definition of extra-settlement areas to which the *modus vivendi* should apply was also left for subsequent talks.

The Council, at that time, was willing to approve the agreement in the form substantially similar to the one advanced. But it was deemed appropriate to submit the draft agreement for the sanction of the Consular Body.

In August, 1932, local representatives of the American and British Governments informed the Council that the proposal had received the approval of their principals.

Japanese Disagrees

At the end of August that year, the Japanese Consul-General informed the Council authorities that he could not agree to the *modus vivendi* as it then stood. His chief objection, it was pointed out, had to do with the method of police administration in the extra-settlement road areas.

In order to work out a compromise on the disputed point, discussion was resumed from the summer of 1932 until October 1933. No definite method of solution, however, was reached.

The question was not settled until the spring of 1934 when, after another series of negotiations, an agreement was reached regarding the numerical strength, composition and the personal of the special joint police force.

Meantime, discussion proceeded regarding the definition of the area known as "extra-settlement," and the territory in which the *modus vivendi* should become operative.

Various proposals were discussed and in October, 1934, City Government authorities submitted a plan for marking off a strip of territory of stated depth on each side of the outside roads and including in addition certain Council property situated outside of the Settlement.

Again Objects

The Japanese Consul-General again put forth his objection, explaining that he could not accept the Chinese plan.

As a result of these setbacks, the entire outside road question was deadlocked. Negotiations were conducted sporadically, but no definite headway was made.

Chinese circles here yesterday hoped that as a result of the understanding for evolving a fiscal arrangement on the outside roads problem, Mr. Yui and Mr. Fessenden will be able to pick up the tangled threads of their former talks and bring about a lasting arrangement on the long-standing question.



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Joss-Money Fire Drives Out SMC

"Stupid Valley" Folk Free As Barricades Removed From Area

"Enrich yourself with the joss-money and haunt us no more!" This statement, usually murmured by Chinese worshippers to get rid of haunting spirits, was exactly what the Shanghai Municipal Council received when it removed the barricades from the Yu Yuen, Tifeng and Bubbling Well Road exists of "Stupid Valley" village after a siege of the houses for one week in the "tax war."

Fire Kindled

Right after the Public Works Department coolies had removed the barricades on the Yu Yuen Road main entrance of the half block of three-story, foreign-style

houses, some playful tenants started a bon-fire with joss-money. The gesture implies the time-honored statement and is meant as a bad omen for the Council, from the chairman of the city governing body down to the \$4 a month coolie.

The barricades were removed shortly after 4 o'clock yesterday afternoon. The order for the removal was issued by Mr. Stirling Fessenden, secretary-general of the Council, at 3.45 p.m. following agreement with Mr. C. K. Yui, secretary-general of the City Government on the following points:

Sum Guaranteed

1. That the Council undertakes to remove the barricades.
2. That the City Government in consideration of the above fact, guarantees a sum of money equivalent to the rates of the current quarter ending March 31, 1937, as a compensation for utility services and other amenities enjoyed by the tenants.
3. That the City Government to proceed at once to collect "rates" due from the tenants.
4. That after the money is collected, it will be kept in trust by the City Government.
5. That the City Government and the Council enter into negotiations with a view to reaching a fiscal arrangement regarding the tax question of the outside roads.
6. That when such a fiscal arrangement is reached, the money kept in trust by the City Government will be disposed of accordingly.
7. That in the event of a failure to reach a fiscal arrangement, the funds collected by the City Government will be turned over to the Council as a compensation for utility service and other amenities furnished to the tenants.



200.59

The Shanghai Evening Post & Mercury, Thursday, March 18, 1937

Banker Yui

SOMETHING FOR NOTHING is what all of us would like to get. But eating one's cake and having it too is proverbially impossible, and in spite of all the uproar over the "Stupid Valley" affair it seems throughout to have been generally agreed that no one should be permitted to dodge payment of taxes in all quarters by the accident of an ambiguous geographic location.

That is virtually the only point on which there has been general agreement. The Council seems finally to have passed the ball straight into the waiting arms of Mr. O. K. Yui of the Municipality of Greater Shanghai, and the handing-over of tax collections on his part appears to be dependent upon a settlement of the long outstanding Outside Roads controversy.

If this state of affairs results either in a prompt settlement or an announcement as to just what is holding up such settlement, it will be all to the good. Meanwhile we presume the Municipality of Greater Shanghai is as trustworthy a banker as any, and better than some, though we don't know what provision is being made for payment of interest on deposits and it would help to have specific information about withdrawal privileges. There is something reassuring about Mr. Yui's initials, anyway.

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Stupid Valley Folk To Pay Up

Landlords To Collect Rates; Barricades Still Maintained

Acting swiftly to settle the "tax war" that culminated in the siege of "Stupid Valley Village," Mr. O. K. Yui, secretary-general of the City Government of Greater Shanghai, this morning summoned Attorney Loh Ting-kuei, counsel for the landlords of the besieged property, and asked the landlords to collect the municipal rates and forward the collections to the City Government as soon as possible.

When the rates, which amount to 12 per cent of the monthly rentals, are sent to the City Government, the Shanghai Municipal Council will remove the barricades erected at the Tifeng, Yu Yuen and Butbling Well Road exits of the "Half" block of three-story, foreign-style houses. Up to press time, the barricades, erected Thursday, were still there. They are expected to be removed this evening or tomorrow, barring unforeseen developments.

The dramatic development in the siege of "Stupid Valley" as result of the negotiations between Mr. Yui and Mr. Stirling Fessenden, secretary-general of the S.M.C. yesterday when an agreement was reached. The terms are:

The taxes are to be handed over to the Shanghai City Government, and the S.M.C. is to remove the barricades and re-open the Settlement sewage and water outlets.

Negotiations are to be started between the City Government and the S.M.C. for a settlement of the problem of tax revenue of the general "outside roads" and the money paid to the City Government by the Chinese disputants is to be disposed of in accordance with the terms to be agreed on between authorities; and in the

event the negotiations break down, the money handed over to the City Government by the Chinese disputants is to be paid to the S.M.C. as compensation.

Suit Not Withdrawn

Attorney S. Y. Yih, one of the residents of the blockaded lane, this morning declared that he saw no reason for him to withdraw the suit filed with the Court of Consuls against the Council. The suit, in which Mr. Yih asked for an injunction order to restrain the Council in barricading the lane and reserved his rights to demand damages, was filed with Mr. E. A. Loh, secretary of the Court of Consuls, yesterday afternoon.

"The barricades are still there, aren't they?" Mr. Yih asked when approached by The Shanghai Evening Post this morning. "I see no reason for me to withdraw my action against the Council."

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Council's Tax Siege Finished Western District Normal Again As Road Barricades Torn Down

**Full Accord Between
Yui, Fessenden Leads
To S.M.C. Action**

**LAWYER TO SUE
DESPITE MOVE**

**Greater Shanghai Will
Collect Rates Under
New Arrangement**

Shanghai's unprecedented extra-settlement tax siege became history yesterday afternoon as the Shanghai Municipal Council, after a week's blockade, removed barricades around a block of houses on Tifeng and Yu Yuen Roads shortly after 4 o'clock.

The order to lift the blockade was issued by Mr. Stirling Fessenden, S.M.C. Secretary General, some 15 minutes after Mr. O. K. Yui, Secretary-General of the City Government, stepped out of the former's office, where the two had conferred and reached an agreement to settle the tax impasse.

At 3.45 o'clock, Mr. Fessenden instructed the Commissioner of Public Works to remove the barriers and to re-connect the sewage system.

Working as rapidly as when the blockades were raised last week, P.W.D. workmen, some 100 strong, went down to the Tifeng Road-Yu Yuen Road area. By 5 o'clock every trace of the week's tense situation brought about by the blocking of the alleyways with planks and barbed wire had been removed.

Collection System Revised

The plan worked out between Mr. Yui and Mr. Fessenden is essentially similar to the one outlined in yesterday's CHINA PRESS. The only alteration was in respect to the method of collecting the "rate."

In the original plan Mr. Yui proposed that the money should be collected by the landlords and handed to the City Government where it will be kept in trust.

The final arrangement reached yesterday stipulates that the funds will be collected by the City Government directly from the tenants.

This change was made, it is understood, because it was feared the landlords might encounter difficulty in collecting the money.

Yui Outlines Scheme

In an interview with THE CHINA PRESS immediately after his conference with Mr. Fessenden, Mr. Yui outlined the main points included in the agreement. These are:

1. That the Council undertakes to remove the barricades.
2. That the City Government in consideration of the above fact, guarantees a sum of money equivalent to the rates of the current quarter ending March 31, 1937, as a compensation for utility services and other amenities enjoyed by the tenants.

3. That the City Government to proceed at once to collect "rates" due from the tenants.
4. That after the money is collected, it will be kept in trust by the City Government.
5. That the City Government and the Council enter into negotiations with a view to reaching a fiscal arrangement regarding the tax question of the outside roads.
6. That when such a fiscal arrangement is reached, the money kept in trust by the City Government will be disposed of accordingly.
7. That in the event of a failure to reach a fiscal arrangement, the funds collected by the City Government will be turned over to the Council as a compensation for utility service and other amenities furnished to the tenants.

Wants Permanent Settlement

Mr. Yui pointed out during the interview yesterday that the only reason prompting the City Government and himself to take part in solving the impasse is because of his firm conviction that the outside roads question must be settled.

He further pointed out that the Council's action in blockading the property "had made the innocent suffer with the guilty." In this respect he again explained that residents of the houses who paid the "rates" were barricaded in the same manner as the delinquents.

Psychologically, he continued, the abnormal state of affairs brought about by the Council's blockade tactics might adversely affect the ultimate settlement of the outside roads question. He disclosed that his concern in this respect constituted another reason why he took prompt action to settle the impasse.

Pay To Whom?

Mr. Yui was of the opinion that those tenants who enjoyed utility service and other benefits must pay for what they receive. "But the question is," he said, "to whom and in what way should the tax be paid."

The conference yesterday afternoon started shortly before 2.30 o'clock in the office of Mr. Fessenden at the S.M.C. Administration Building. About 40 minutes after Mr. Yui and Mr. Fessenden had talked over the question, Mr. V. H. Bourne, Deputy Treasurer of the Council, was called in for consultation.

Mr. Bourne was followed by Mr. R. E. Arnold, Council Chairman. The Deputy Treasurer left the room shortly afterwards while Mr. Arnold remained until the conference was over at around 3.30 o'clock.

Yih Presses Suit

Meantime, THE CHINA PRESS learned last night that suit filed against the Council in the Court of Consuls as a result of the barricades by Mr. Yih Shao-ying, attorney has not been withdrawn despite the removal of the barriers.

Mr. Yih, a resident of the blockaded lane, who claimed that he had paid all the rates, was unwilling to comment on the case yesterday, stating that the suit is now before the court and that he is therefore not free to discuss its merits.

He stated, however, that he has no plans to withdraw the case. "The damage as a result of the blockade has already been done, and I am prepared to fight the case in Court."

Mr. L. C. Yang, his law partner, is representing him as attorney.

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"STUPID VALLEY" SUIT AGAINST COUNCIL

Chinese Lawyer Enters
Claim With Shanghai
Court Of Consuls

Suit has been filed with the Court of Foreign Consuls in Shanghai by Mr. Yeh Shao-ying, a Chinese lawyer, against the Shanghai Municipal Council for the recent placement of barricades on the entrances of the "Stupid Valley Village" facing the "outside Roads," and the cutting of the sewage and drainage systems in the lane.

Mr. Yeh, who is one of the house tenants in the village which was "besieged" until yesterday, stated in his petition that he and his family were been deprived of the use of the entrances and drainage of the lane as a result of obstructions made by the Council. These obstructions, he complained, greatly inconvenienced him in the use and enjoyment of his home.

Mr. Yeh in his petition, reserves his right to claim all damages resulting from the obstructions and requests that the Council be perpetually restrained and enjoined from the continuance of the acts complained of and the repetition of similar acts in the future.

He also demands that a temporary injunction be allowed restraining the Council, its agents and employees from obstructing the lane and separating and dividing the sewage connections.—Central News.

TIFENG ROAD AND RATES

The reaching of a definite agreement between representatives of the Shanghai Municipal Council and the City Government of Greater Shanghai which ends the deadlock on the non-payment of rates which led to the barricading of the lanes and passages leading to the big block of houses on Tifeng Road has to be welcomed mainly in the hope that it will lead to the settlement of at least one important aspect of the Outside Roads problem. There will doubtless be many who will see the surrender of a principle in the agreement to remove the barricades as the tenants are to pay rates to the City Government, leaving the final disposal of that money to be settled directly between the two civic authorities, because the collection of rates has hitherto been in the hands of the S.M.C. But, apart altogether from the safeguarding proviso that the money is to go to the S.M.C. in the event of the authorities failing to agree on a fiscal arrangement, an examination of both the administrative and legal problem shows that the Council is in no way seriously undermining its position. Actually, the use of the word "rates" as regards the Outside Roads is not strictly legally correct. The Council has power, with the approval of the ratepayers, to levy rates within the Settlement, but when it acquired, developed and serviced the Outside Roads it asked for the payment of a "Special Rate" from residents using those roads and services, and the amount of that special levy is also made part of the budgetary resolutions at the annual meeting of ratepayers. Actually, however, these "rates" are a payment for services and amenities, and there is no harm in changing the word from "rates" to "compensation" if that attunes more with Chinese ideas of the strictly juridical position. There can be no question regarding the Council's right to insist upon payment or depriving residents who will not pay for the enjoyment of the amenities which the Council's money provides.

Until comparatively recent times, the Council had a lever to compel payment by its agreement with the various public utility companies not to give service to any who had failed to pay their so-called rates, but, owing to changed circumstances and the understanding which some of the companies have directly with the Chinese authorities, that lever has been weakened considerably. All that the Council has left is the provision it makes of general municipal amenities and its right and power to withhold the enjoyment of those amenities from those who will not pay their quota towards cost of maintenance. The Council has every right to fence in its roads and cut off sewerage and draining connections from those who do not pay for the use of them, and it does not matter whether that payment is called a "special rate" or "compensation" or anything else. On the question as to who is to collect the money, there might be some misgiving felt at the fact that the City Government is being admitted a party to it, but it is to be only a temporary custodian while the two authorities proceed further to argue the

between them. The wider problem of the Outside Roads as a whole has been in suspense for many years, and if the Council and the City Government can come to an understanding as regards the fiscal portion of it, at least one step forward will have been taken towards the resolution of a problem which has been not only vexed in character but which has also had a seriously retarding effect upon the development of the territory around the borders of the Settlement. Just what would be the proportion of the "special rate" or "compensation" which the City Government would claim as being its reasonable share can only be a matter of guesswork in the absence of official disclosure, but so long as the Municipal Council gets what it adjudges to be a fair return to pay for the services it renders and the roads it has built it cannot be derogatory to its rights and legal position to come to an understanding with the City Government on this question. The whole matter is safeguarded in the present instance by the agreement for the money collected to be handed over in full to the S.M.C. in the event of a fiscal arrangement not being reached.

It might develop, then, that the Council's action in barricading up entrances to houses on Tifeng Road will lead to a constructive arrangement, and, possibly, to a considerable furthering of the solution of the Outside Roads

problem. Nothing has been more harmful to the development of Shanghai or more destructive of good relationships between neighbour Administrations than this years-old deadlock over the Outside Roads and the rights of the two official bodies. Policing, road extensions and connections, public utility services—especially water supply—have all been in indeterminate state, one side seeking to "trespass" as far as it can, the other striving to maintain the rights which ownership gives. In the Western district the potentialities of development are plain for all to see, needing only an agreement between the authorities to open up a vast area of attractive residential property. If the contemplated fiscal arrangement can be made, could not opportunity be taken of the present improved atmosphere between the various nationals who live on the Outside Roads to reach a comprehensive agreement? It is in that hope, as well as for the ending of the deadlock on Tifeng Road itself, that welcome has to be given to the agreement which has been reached between Mr. Stirling Fessenden and Mr. O. K. Yui.

TIFENG ROAD SIEGE ENDED AS BARRICADES REMOVED

Agreement Is Reached Over Tax Payments

City Government Agrees
To Collect Arrears On
Council Behalf

FESSENDEN AND YUI
COME TO TERMS

Successful Negotiations Open
Way To Outside Roads
Settlement

The Police and Municipal siege of defaulting ratepayers in "Stupid Valley," on Tifeng Road, which has been in force for seven days, ended officially yesterday afternoon.

Shortly after 4 p.m. squads of P.W.D. coolies under foreign supervision commenced pulling down the massive barricades and removing the barbed wire following instructions from the S.M.C. to raise the blockade. The additional police patrols in the area were also withdrawn.

A final conference took place yesterday afternoon between Mr. Stirling Fessenden, S.M.C. Secretary-General, and Mr. O. K. Yui, Secretary of the City Government, at the former's office, when a satisfactory agreement was reached regarding collection of rates from the defaulters in the barricaded area.

Mr. Fessenden announced that in order to expedite settlement of the dispute the Shanghai City Government had guaranteed the payment of a sum equivalent to the rates on the property for the current quarter as compensation for utilities enjoyed by the tenants. An undertaking was also given by Mr. Yui that the amount of the arrears would also be collected.

Blockade Lifted

Immediately following the signing of this agreement instructions were issued to the Bubbling Well Police Station to raise the siege. Within a few minutes of these orders being received, coolies from the Public Works Department were on the job, tearing down the barbed wire entanglements and transporting to the nearby Fire Station the huge wooden barricades which for seven days had made a "No Man's Land" of the now famous "Stupid Valley."

Exact details of the agreement reached between the Shanghai Municipal Council and the Shanghai City Government were not revealed for publication last night. Mr. Fessenden, however, made a report on the negotiations and the conclusion of the agreement to the Council at its meeting last night. It is understood that these have been accepted as satisfactory by the S.M.C.

It is understood, however, that the City Government has agreed to collect the rates from the "Stupid Valley" property and will hold them for the Council until such time as a definite agreement is reached regarding the financial aspect of the Outside Roads. It was not disclosed whether an arrangement had been entered into whereby the City Government would collect rates from tenants on Outside Roads in other districts. This and other broader aspects of the Outside Roads problem will be discussed during future negotiations, the way to which has been opened by yesterday's agreement.

More Negotiations

Mr. Fessenden stated yesterday to a representative of "The Shanghai Times" that he would now proceed to negotiate with Mr. Yui on questions affecting the financial questions of the disputed roads and the collection of rates in these areas. The whole question of the Outside Roads would be dealt with in stages, the first to be tackled being the fiscal stage. This would be followed by the question of policing the roads; other aspects would follow in due course.

Mr. Fessenden expressed satisfaction at the fact that the way had been opened for resumption of the negotiations which terminated in a deadlock over two years ago. At that time, after protracted negotiations, a *modus vivendi* had been drawn up between Mr. Fessenden and Mr. Yui, but in the form presented was not found acceptable, considerable opposition being raised in certain quarters locally.

There was every hope that negotiations would proceed in the future at a reasonably rapid pace, but there were still many difficulties to be overcome before a final settlement to the whole problem might be reached.

Tenants Relieved

A sigh of relief was heaved by residents of the blockaded area when the news of the lifting of the blockade circulated through "Stupid Valley." The appearance of the coolie gangs was the signal for a burst of firecrackers in one section of the isolated area, and groups of interested tenants watched the steady removal of the barricades with grins of evident satisfaction. Considerable care had to be exercised in removing the barbed wire which had been strung across the entrances to the lanes high above the barricades. The danger of contact with electric wires had to be carefully watched. But the removal of all obstructions was carried out as effectively and speedily as the barriers had been installed. There was no mishap and no confusion. Members of the Reserve Unit who had been used as additional guards for the barricaded area were also withdrawn and the district has returned to normal. The sewage system will be restored by this morning.

It was in the early hours of Thursday, March 11, that positive action was taken by the Shanghai Municipal authorities to compel tenants of more than 100 houses to pay their arrears in rates. The property on which the defaulters resided stretched along Tifeng Road,

from Yu Yuen Road to Bubbling Well Road. Eleven lanes leading into terraces of houses were effectively barricaded, preventing access of the tenants to Settlement Roads. A further step to enforce payment was taken by the S.M.C. with the cutting off of all sewage facilities provided by the S.M.C. Protests were raised by the tenants, but the Council remained firm, declaring that until arrears were paid the blockade would be continued.

Efforts to compel the landlords to pay the arrears proving futile the Shanghai City Government intervened and, following negotiations with the Council's representative the tension was relaxed with the agreement reached yesterday.

AGREEMENT REACHED ON OUTSIDE ROADS REVENUES

**Pact Will Lead To Re-
moval Of Barriers In
Western Area**

**CHINESE WILL
COLLECT LEVY**

**Fund Will Be Kept In
Trust Pending Per-
manent Settlement**

An agreement to settle the Tifeng Road extra-Settlement tax impasse has been reached between the City Government of Greater Shanghai and the Shanghai Municipal Council, THE CHINA PRESS learned last night in a special interview with Mr. O. K. Yui, Secretary-General of the City Government.

The deadlock, now in its seventh day following the barricading of the block of 107 houses, was solved as a result of a conference yesterday between Mr. Yui and Mr. Stirling Fessenden, Secretary-General of the Council.

At this meeting, the Council is understood to have agreed to remove the barricades on its own accord and to restore the status quo prior to last Thursday when the tax siege was first launched.

On the other hand, the landlords of the Tifeng-Yu Yuen Road houses will be asked to collect the 12 per cent special "rate" from the tenants.

After the money is collected, it will be handed over to the City Government authorities, who will keep the fund in trust.

Will Reopen Negotiations

The City Government, upon receiving the money, will then open negotiations with the Council with a view of arriving at a financial arrangement regarding the whole question of extra-Settlement road tax, the agreement yesterday is understood to have stated.

The Council and the City Government are also understood to have agreed that the money held in trust will be later disposed of according to the *modus vivendi* reached between their representatives.

In the event that the parties fail to reach an agreement on the tax question, the fund collected by the landlords will be paid to the Council as a compensation for amenities enjoyed by the tenants, such as water, electricity supplies, access to Settlement roads and sewage outlets.

May Remove Bars

Although it could not be learned last night when the barricades will be removed, it was stated that the tax siege may be called off by the Council either today or tomorrow.

Mr. Yui was reported last night to be making arrangements for collecting the money from the landlords.

The agreement, while aiming to break the deadlock arising from the Tifeng Road affair, is made with a view of settling the long-standing and thorny outside roads tax problem. The final arrangement, if and when it is finally reached, will affect all the extra-Settlement road residents, many of whom are now dodging tax payments both to the City Government and the Council.

"Stupid Valley" Settlement

WE must highly commend Mr. O. K. Yui, Secretary-General of the City Government, for his meritorious services not only to the parties involved in the unfortunate deadlock at the "Stupid Valley Village" but also in the interest of Sino-foreign harmonious relations in this international community. For it is his initiative, untiring efforts, reasonable attitude that has brought about an agreement which will soon result in the removing of the barricades and probably even settle the entire extra-Settlement Roads question from a fiscal standpoint.

Mr. Yui has confirmed that an agreement has been reached between him and Mr. Fessenden. By the terms of this agreement, the Settlement Council will remove the barricades, the landlord of the "Village" will be responsible for the collection of the so-called "rates" at 12%, and hand the entire collection over to the City Government for custody. The City Government and the Municipal Council then will initiate negotiations for a fiscal *modus vivendi* to cover the entire extra-Settlement Roads area. According to the reported agreement, should no such *modus vivendi* be arrived at, the City Government would turn over as "compensation" for services rendered the money in its custody.

The terms of the agreement, under the circumstances, must be considered as sound, logical and satisfactory. In fact, at the very outset of the dispute, we suggested some such course as now adopted by the two authorities. To quote the pertinent paragraphs in the editorial article on the subject:

"We venture to suggest that both administrations commission their financial representatives to meet in conference and to arrive at a financial agreement, devoid of political considerations. As the territorial sovereign, the City Government must be charged with the actual collection of the rates from all outside roads houses. In recognition of the physical amenities provided by the Municipal Council, fifty per cent of the rates collected could be paid by the City Government to the Council as a subsidy to its Public Works Department.

"Such a temporary fiscal settlement will be of benefit to both parties. Meanwhile, the problem of outside roads, treated as a political question, may be tackled, with the understanding that the proposed arrangement is a fiscal one, a temporary one, not to prejudice the claims of either party."

In the present agreement, we are happy to see the confirmation that the Municipal Council has no right to collect rates from houses in Chinese territory but bordering on extra-Settlement Roads.

In the second place, we are happy that the Chinese have taken the fair and reasonable view that "compensation" must be paid, through the logical channel of the City Government of Greater Shanghai to the Municipal Council for actual services rendered. In this respect, may it be hoped that foreigners resident in China will also adopt the fair and reasonable view that, granting extraterritoriality shields them from prosecution in the Chinese courts, they have a moral obligation to pay the income tax to the National Government. For, unquestionably, it is the



Stupid Valley Siege Deadlocked Six Days

STARTED last Thursday, the siege of 'Stupid Valley' Village is still going on.

Both parties, the Shanghai Municipal Council which erected the barricades to force payment of municipal rates, and the landlords and tenants of the half-block of three-story foreign-style houses bordering Yu Yuen, Tifeng and Bubbling Well Roads, are adamant.

To the Council, the slogan is: "no pay no go."

To the landlords, the slogan is: "We have no obligation to collect municipal rates for the Council."

To the tenants, the slogan is: "Until the barricade are removed, we shall not consider the Council's contentions."

None of them is willing to lose 'face' and the deadlock is continuing with prospects of an early settlement still remote. Unless a third party comes to mediate, the deadlock is expected to remain for several weeks.

Meanwhile, all is quiet inside the alleyway with the tenants getting more accustomed to the new entrances and exits through the shops on Bubbling Well and Yu Yuen Roads.

Council Not To Yield In Extra Road Situation

Fessenden Says There's No Intention Of Lifting Siege

The Shanghai Municipal Council is determined to fight the extra-Settlement tax war to a finish and it has no intention of removing barricades last week placed around the 107 Yu Yuen-Tifeng Road houses until the case is settled to its satisfaction.

This statement, flatly denying current reports that the S.M.C. is planning to call off its tax siege, was made yesterday to THE CHINA PRESS by Mr. Stirling Fessenden, Secretary General of the Council.

Mr. Fessenden pointed out that if the entanglements were removed at the present time, it would not only nullify the Council's original purpose of blockading the tax "boycotters," but would also be tantamount to admitting defeat on the part of the Council.

Would Block New Road

Asked what the Council would do if the landlord, as a result of prolonged siege, tore down a wall and opened their own road leading to the Settlement, Mr. Fessenden said:

"We would blockade these roads also and every road they attempt to open."

Up to late yesterday afternoon, the Secretary General revealed, no representative of either the landlords or the tenants had come to the Council to negotiate on the tax question. He pointed out that the Council does not propose to lift the blockade until a satisfactory result has been achieved through negotiations.

Mr. Fessenden held that individual residents who had paid tax and who are now being blocked in the compound has no ground of complaint. He based his stand on this viewpoint, he said, on the ground that the landlords, when the sewage, light and water service were connected, agreed to pay the special municipal rate on the entire property.

Yih Stays Action

The fact that a large number of ratepayers had defaulted, he explained, is enough ground for the Council to blockade the property.

Meantime, Mr. Yih Shao-ying, a lawyer who lives in the barricaded compound is withholding his original plan to sue the Council in the Court of Consuls.

He informed THE CHINA PRESS that while he has not definitely abandoned his intention to sue the Council, he has decided to postpone the Court action.

The first official step in connection with the tax war was taken yesterday by the Chinese Ratepayers' Association in a letter to Mr. H. E. Arnhold, S.M.C. Chairman.

Mr. Arnhold was asked whether he personally gave his approval to the blockade measure and asked to answer whether he thinks that the expenses incurred by erecting the barricades could be offset by the amount of tax expected to be collected by the tactics.



Chinese Ratepayers Group Protests Barricading

**Infringement Of Chinese Administrative Rights
Alleged In Protest; Declare Public Has Poor
Impression From Drastic Move**

A protest to the Shanghai Municipal Council over the barricading of "Stupid Valley," an alleyway in the Yu Yuen Road extra-Settlement territory, for the failure of a number of tenants to pay taxes, was forwarded by the Chinese Ratepayers Association yesterday to Mr. H. E. Arnhold, Chairman of the S.M.C.

The document contained three points: whether or not police had acted on orders from the Council or of their own volition, whether the taxes which might eventually be paid would be sufficient to pay for the barricading, and whether the Council expected the public to gain a good impression from this action.

Anyone with "commonsense," the petition concluded, would view the move as an infringement of Chinese administrative rights. The Association said it was sending the letter with the purpose of preserving the Council's good reputation.

Despite various rumours that the blockade would be lifted shortly as a large number of tenants are paying up their back taxes, no indication of such an intention could be found last night as police reported the situation "quiet—no change."

Water and electricity supplies are still being furnished the inmates of the beleaguered village, while home-made sewage drains are being used in lieu of the Council facilities which were stopped last Wednesday.

BARRICADING CRITIZED

Editor, THE CHINA PRESS

Sir:—In reference to the editorial comment by Dr. Kuangson Young in THE CHINA PRESS regarding the barricading of "Yu Koo Chun," the points against the S.M.C. were well taken. However, there are other aspects of this situation which are quite puzzling.

A few may be mentioned!

First of all, is the erroneous premise which the S.M.C. took to label the tenants or landlords tax evaders. Definitely this is not correct. Residing in Chinese territory, under Chinese jurisdiction and police protection, the tenants cannot see how the S.M.C. has any more right to collect rates from them than from those living in other parts of China. For the use of the sewers and drains, a reasonable compensation can be agreed upon, but surely not on the basis of 12 per cent of the rental as is the case for residents of the Settlement. Moreover, this matter of compensation, contrary to the S.M.C. statement, should be discussed between the S.M.C. and the city Government. A private citizen has no right to select as to whom he should pay his taxes, least of all to decide on questions concerning international agreements.

Secondly, is the blocking of public highways the usual method of treatment against householders who have not paid the rates? What is behind this extraordinary behavior of a dignified body such as the S.M.C.?

Thirdly, why all this display of force—armed police riot squad and tanks? Has the S.M.C. reasons to expect trouble from law-abiding citizens on account of the erections of scaffolding on any part or portion of the Settlement? Which reminds me that a resident of an area abutting an extra-settlement road related to me his experience with the charming ways of the S.M.C. rate collectors in their attempts to force collection: their clamor for admittance, raucous voices, threats of dire consequences, and generally, overbearing and browbeating attitude, which are more in line with the offering of "protection" indulged in by gangsters seem quite different from the courteous notices and reminders which are usually sent to those who reside in the Settlement and have not paid their rates.

Lastly, who are "evading" the rates, the tenants or the landlords?

Yours respectfully,
T. L.

Shanghai, March 14, 1937.

The Public Be—Told !

MR. O.K. YUI in his statement on the "Stupid Valley Village" barricading of last week let a large cat out of the bag when he declared that the Japanese have blocked agreement on the Outside Roads.

Plenty of people had suspected the presence of the cat but there is some difference between suspicion and confirmation. By his statement, Mr. Yui merely brought into clear relief the necessity for a more complete elucidation of this whole long-troubled issue between foreign and Chinese authorities.

The Shanghai Municipal Council should at this time, without further delay, lay bare the whole position concerning the Outside Roads—the one major issue on which it has inexplicably proved impossible for Chinese and foreign authorities to reach an understanding despite the fact that on many other matters these authorities have come together harmoniously.

What is it that the Japanese have been asking which has proved a stumbling-block at this time when in other matters, better agreement has been reached than at any other period in the history of modern Shanghai? It is high time the public knew.

There is no use in declaring that the "Stupid Valley" barricading has no connection with the Outside Roads issue. It has a very direct connection, as is shown by Mr. Yui's contention that the Council lacks legal basis to exercise the right of policing and collecting municipal rates on extra-Settlement roads, and his declaration that though such rates should be paid the residents should turn their money over to the City Government in order that there might be negotiation with the Settlement authorities.

This is quite apart from the fact that the Council by its policy of force has set an undesirable precedent likely in future to "kick back" strongly against foreigners; but we feel rather strongly that the Council may in time have something to answer for in that respect.

The Council is fond of hush-hushing such matters as the long standing Outside Roads controversy on the theory that they are "political" and thus outside the scope of the common man. It seems to us that since the common man is directly affected he should have some knowledge, in due course, of what is going on. A brief withholding of pertinent facts during the course of delicate negotiations may be justified; a permanent suppression of them after long years of fruitless wrangling (or complete cessation of negotiations) is neither justified nor in the public interest.

Some years ago a leading American rail-roader was quoted, perhaps inaccurately, as having declared "The public be damned!" Immediately the undesirability of such expression was made amply clear. Today the policy is, everywhere but in Shanghai, "The public be told!" It is high time Shanghai became up-to-date in that as in some other respects.



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Stupid Valley Blockade Held

Siege Continues, SMC Determined To Tax Area Residents

The siege of the "Stupid Valley" village, which marks the climax of the "tax war" between the Shanghai Municipal Council and the tenants of houses along the extra-settlement roads, continued today.

No new developments were reported over the weekend and the prospects for an early removal of the barricades from the Bubbling Well, Tifeng and Yu Yuen Road exits of the half block of three-story, foreign-style houses still are uncertain. The Council is determined to force payment of the 12 per cent municipal rates, and the tenants, aided by the landlords, are continuing their "sit-in tax strike." No one is willing to lose "face" in the tax dispute.

All was quiet inside the besieged village today. The tenants, more or less accustomed to this state of affairs now, enter and leave the village through the shop buildings facing Yu Yuen Road and the vacant house near Bubbling Well Road. Except for the fact that motor-cars, and there are many motorists inside the village, are not able to enter or leave the premises, the tenants declared that they are experiencing no inconvenience.

Water and electricity supplies remained intact while the sewer and drainage systems, cut from the mains of the Council roads, found a new outlet in the structures built by the landlords long expecting the trouble. Garbage collectors come as usual.

Attorney S. Y. Yih, one of the residents of the "Stupid Valley" village who is threatening to sue the Council for the barricading, today announced that he is still considering his action and delaying the filing of the case with the Court of Appeals. Definite decision will be made tomorrow, he said. Mr. Yih contends that his interests as regular tax-payer are injured by the Council action in closing the exits.

The City Government authorities are closely watching the situation and hope to find a solution to end the deadlock, it is understood. Mr. O. K. Yui, secretary-general of the City Government, is expected to call on Mr. Stirling Fessenden, secretary-general of the Council, in the near future to arrange for a settlement of the issue.

In a previous statement, Mr. Yui advocated that the tenants having enjoyed the municipal facilities, should pay the dues in the form of a "compensation" to the Council. Tenants unwilling to pay directly to the Council, may pay the City Government.

BESIEGED RESIDENT TO SUE COUNCIL

**Tifeng Road Tax Payer to
File Suit To-day**

Court action against the Shanghai Municipal Council if the latter do not immediately remove the barricades which they have erected on three Settlement sides of a block of Chinese houses in Tifeng Road, is threatened by Mr. S. Y. Yeh, a member of the Shanghai Chinese Bar Association and a returned student from Great Britain, who is a resident of No. 63 of the besieged buildings.

According to Mr. Yeh, he has always paid the taxes to the S.M.C. promptly, except the tax for the last season because the S.M.C. did not send men to collect it from him. It was the Council, not he, that should be held responsible for the non-collection of tax, Mr. Yeh said.

Last Friday, Mr. Yeh sent a letter to the S.M.C., enclosing a cheque for \$30.60, the amount of the tax for the last season, and asking for the immediate removal of the barricades, but no reply has been received by him.

Mr. Yeh therefore made out on Saturday morning he said, a petition to the Court of Consuls detailing the Council's alleged illegal action, reserving his right to claim damages,

and asking the Court of Consuls to act quickly in view of the fact that it will take some time to conclude the court action.

As the office of the Court of Consuls was open only up to noon on Saturday, Mr. Yeh found it too late to file his petition. He expects to file it this morning.

The barricaded block retained the same indifferent aspect yesterday as during the first days of the "siege." All the barriers remained effective and none of the several hundred residents could leave or return except by the one door opening into a Chinese alleyway on the Bubbling Well Road side or through small Chinese shops in Bubbling Well Road and Yu Yuen Road.

Police from the Bubbling Well Station and Chinese members of the riot squad were on duty through the day and last night, on all three Municipal roads abutting the property, namely, Yu Yuen Road, Tifeng Road and Bubbling Well Road. No disturbances had been reported up to a late hour last night.

The "blockade" continued to attract a number of the Chinese curious, especially in Bubbling Well Road, where, off the Municipal footwalk, Chinese policemen with Mauser pistols kept a continuous watch.

At dusk, the red warning lights of the F.W.D. were placed in front of all the barriers, beneath the planks and barbed wire. From the lights which were visible in most of the more than 100 flats contained in the block, it would appear that few, if any, of the residents had evacuated.

The siege entered its fifth day at midnight.

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SHANGHAI TIMES, MONDAY, MARCH 15, 1937

BARRIERS STILL UP ON TIFENG ROAD

No Change Is Seen Over
Week-end; Action Is
Expected To-day

No change was seen over the week-end in the situation at the besieged village of "Stupid Valley"—the block of houses surrounded by Bubbling Well, Tifeng and Yu Yuen Roads, all extra-Settlement roads, which were cut off from direct entrance into the International Settlement by the S.M.C. on Thursday morning.

The rumours circulated on Saturday that the majority of the tenants of the block of houses had paid their 12 per cent municipal rates, since being barricaded and deprived of sewage and drainage, could not be confirmed yesterday.

It was also very widely reported that the Municipal Council would remove the barricades to-day or to-morrow in view of the fact that the overdue rates have been paid. No Council official could be reached yesterday to confirm or deny this, but it was denied on Saturday that the majority of the tenants of the barricaded area had paid their municipal rates.

Chinese sources were pointing out that unless the barricades were lifted by the Council to-day, the landlords were contemplating to pull down three houses in order to open an outlet from the area into Chinese territory. A petition to this effect, it is understood, has been submitted to the Shanghai City Government.

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Mar 15 1937

Barricades Still Block Alleys

One Resident Files Suit Against S.M.C.

Despite reports that the extra-Settlement tax war will be called off by the Shanghai Municipal Council, the block of houses in the Yu Yuen-Tifeng Road district remained barricaded up to midnight last night.

A check at 1 o'clock this morning indicated that there was no sign that the P.W.D. workers were preparing to remove the entanglements.

Meantime, the landlords of the houses were yesterday reported to be completing plans for tearing down a wall in the alleyway and opening up a road to Chinese territory, within easy access of the Settlement roads.

This step, reports stated, will be taken if the barricades are not removed in the early part of this week.

Legal action against the Council as a result of its blockade tactics is understood to have been taken by one of the householders. The

tey:
Mr. Yih explained to pressmen yesterday that he had fulfilled all the special rate payments of 12 per cent and this fact was brought to the attention of the Council in a letter he sent to its Secretary on Friday morning.

When his letter was unanswered, Yih explained, he filed suit against the Council in the Court of Consuls.

Reports unconfirmed by the Council again stated last night that the barricades are likely to be removed either today or tomorrow, in view of the fact that a number of residents had paid the rate since the blockade.

Yui Issues Statement On Roads, Regrets Measures

Sees Time Inopportune Now Just When S.M.C.
Authorities Had Signified Readiness To
Negotiate Full Settlement

A verbal protest has been lodged with the Shanghai Municipal Council against the placement of barriers across the roads leading to Tifeng Road early yesterday morning, intended as a measure to compel all the residents on the outside roads in the Western District to pay Municipal taxes, declared Mr. O. K. Yui, Secretary-General of the City Government of Greater Shanghai, in an interview with a representative of the Central News Agency yesterday.

Mr. Yui expressed profound regret that this drastic measure

should have been taken at this moment when both the Chinese and Settlement authorities have just signified their readiness to solve the dispute regarding the extra-Settlement roads.

This knotty question, he said, has been at a deadlock for many years due to the opposition of the Japanese members of the Council. A detailed account of this matter was given by Mr. H. E. Arnhold, Chairman of the Council, in a report made at the annual meeting of the Chinese Ratepayers' Association last year. During his recent conferences with Mr. Arnhold and Mr. Stirling Fessenden, Secretary-General, hopes were expressed that the pending issue would be settled within reasonable limits, he added.

Inappropriate Step

"Upon the receipt of the report on the incident," Mr. Yui continued, "I was instructed to verbally protest to the Settlement authorities over this inappropriate step and to persuade them to reconsider the matter, so that the situation might not affect the settlement of the extra-Settlement Roads problem. Although the Settlement authorities have promised to give the matter further consideration, the barriers placed on the passage leading to the extra-Settlement Roads have not yet been removed."

Assuring that the municipal authorities would continue their efforts in bringing about a satisfactory settlement of the situation, Mr. Yui urged all Chinese residents on extra-Settlement Roads to remain calm and not to resort to rash actions at the dictate of their emotions.

"No Legal Basis"

"Although there is absolutely no legal basis for the S.M.C. to exercise the right of polling and collecting municipal rates on extra-Settlement Roads," he emphasized, "we must be aware of the fact that before the settlement of the outside roads issue, residents whose houses front or have access to the roads constructed by the S. M. C. and who have been enjoying the facilities, such as the sewage system, afforded by the Council authorities, should reciprocate by paying municipal rates."

Concluding, Mr. Yui urged that during the transitional period if residents on the extra-Settlement Roads refuse to pay taxes to the S.M.C., they should pay to the City Government so that the latter may conduct negotiations with the Settlement authorities for a satisfactory readjustment of the payment.

CP Mr. Yui 12/3

12 MAR 1937

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S.M.C. RATES ISSUE ON OUTSIDE ROADS

The action which the Shanghai Municipal Council has taken to induce Chinese and some other residents on extra-Settlement roads in the Western District to pay their rates—such action being the placing of barriers across lanes and entrances leading off such roads to the houses inside—is an unfortunate but justified development arising out of a situation which has been going from bad to worse. When the Council acquired these roads years ago in order to cater to the growth of Shanghai there was no acute political issue raised, it being generally understood that in return for the cost of making and maintaining the roads, lighting and policing them, putting in drains and sewers for the benefit of residents, and allowing the various public utility services to be extended, the payment of rates—on a scale slightly lower than in the Settlement itself—was a *sine qua non*. Throughout the many years which have elapsed since, this payment of rates has been made, although there have been minor difficulties of collection from time to time and in spite of the fact that the Chinese have become stronger in their views that the legal rights of the Council's authority must be questioned. What is known as the Outside Roads Problem has been a major issue of local administration for several years past, and it is common knowledge that many attempts to find a basis of agreement between the S.M.C. and the Chinese authorities have come to naught. In the matter of policing there are thorny points on which different views exist, and, in the Western District at all events, a position has existed for some time past where Settlement police and those of the neighbouring Chinese authority have been functioning alongside each other, sometimes to the embarrassment of both. It will be recalled that so far as the public utility companies are concerned, they were, at one time, permitted by the Council to function on and along the Outside Roads upon the condition that they would service only those residents who had paid their rates to the Settlement authorities, but, in view of the prolonged absence of any juridical agreement between the Council and the Chinese, a position arose in which, in some cases, the Companies made their own agreement direct with the Chinese authorities and so regularized, at least in their view, their own position. It is not, proposed, we understand, to seek the aid of the public utility companies in the action which the Council has now taken, the feeling being that such companies ought not now to be dragged into a dispute not of their making.

What is unmistakably clear, we think, is the Council's right to say to property owners and residents who use what are really privately-owned Council roads that the use of such roads for ingress and egress to properties, for drainage, sewerage, lighting and all those other services which cost public money, shall only be given to those who pay the duly levied rates. The Council cannot surrender its position in this matter, neither can it afford to lose the money which would be collected in rates and

which is needed to help pay for the benefits and privileges which are enjoyed along such roads. It all comes down to a question of good faith. The Council acquired, made and serviced those roads because of the natural expansion of Shanghai; it performed a welcomed public service and it incurred, on behalf of those who have since benefited, an obligation which it has the right to say shall be maintained until a properly-negotiated agreement has been made with the Chinese authorities regarding the future administration and upkeep of all which has been created. Passive resistance in the form of the non-payment of rates cannot be condoned, especially as so many of those concerned are not in the least interested in the juridical side of the matter but are simply evading a residential obligation which exists the world over. If the Council did nothing it would undermine its position in relation to the making of a final agreement—an agreement which must sooner or later be come to if Shanghai is going to grow as it should and if an acrimonious stalemate is to be avoided. We hesitate to believe that the Chinese authorities themselves are party to what is now happening, preferring to view the matter as one wherein certain property-owners and residents are taking shelter behind an official difficulty simply in order to evade payment for the residential benefits they enjoy.

The right of the Council to erect barriers to restrict the use of Council roads against those who are not paying their rates—is clear. The roads are the Council's property and the use of that property must be upon the Council's very reasonable terms. It will be interesting to see how things develop, but we do hope that the Chinese authorities will set their face against anything in the way of encouragement to those who are so obviously in the wrong. Disapproval of what the Council has done will doubtless have to be expressed by the authorities of the City Government of Greater Shanghai for the scoring of a political point, but they can in no way offer justification for the non-payment of rates for the civic benefits enjoyed without imperilling the principle of rates payments in this area generally. The real thing to be done, of course, is to hasten the making of an agreement between the governing bodies concerned. One realizes all the difficulties involved but they ought not to be regarded as insuperable. A dangerously anomalous position exists, and, especially in the matter of developing properties and communications in the extensive area which lies to the west of the Settlement is the absence of an agreement proving a serious handicap.

VERBAL PROTEST IS LODGED TO S.M.C.

Mr. O. K. Yu Advises
Calm Conduct By
Residents

DISCUSSES HISTORY OF DEADLOCK

At a press interview given yesterday, Mr. O. K. Yui, Secretary General of the Shanghai City Government, stated that he had verbally protested against the authorities of the Settlement throwing barriers across the extra-Settlement road areas. He expressed the opinion, however, that, pending a full settlement of the problem of the extra-Settlement roads between the City Government and the Shanghai Municipal Council, those who enjoyed the utility services permitted by the Council should feel obligated to pay for them.

Tracing the history of the negotiations between himself and Settlement authorities for settling the extra-Settlement roads issue, Mr. Yui said that a provisional agreement was to have been signed long ago had it not been for the fact that objections were raised which deadlocked the negotiations. The matter was referred to at last year's meeting of foreign ratepayers by Mr. Arnhold, Chairman of the Council, he said.

Recently, Mr. Arnhold and Mr. Stirling Fessenden, Secretary General of the Council, had talked with him on the subject, both sides expressing hopes for an early conclusion of the agreement. Mr. Yui said that he regretted that when the question was awaiting a settlement the Council should have erected barriers in front of Yu Koo Alley in Yu Yuen Road.

"I verbally protested against the matter at 4 o'clock this morning trying to persuade the Council officials to reconsider their policy lest it should hinder the progress of the negotiations. But the barriers were not removed this morning and therefore I am continuing negotiations with the Council.

Tells Residents To Use Care

"At the same time, I hope those people who live in the extra-Settlement road areas will use care not to allow the free-play of emotions which would increase difficulties for the negotiations. They should know that, although the imposition of taxes and stationing of police by the Council in extra-Settlement roads was without legal basis, they should feel obligated to offer a reward to the Council for the utility services rendered." Mr. Yui emphasized what he called the "transitional period," but expressed strong convictions that sooner or later the administrative rights would be taken over by the Chinese.

Pending the settlement of the question through official quarters, and if the people living in the extra-Settlement road areas did not wish to pay taxes to the Council voluntarily, they should refer the matter to the City Government so that negotiations could be carried on with Council officials, Mr. Yui concluded.

Unrest On Tifeng Rd. Last Night

Strong Force Of 50 Men
On Guard; Protest To
Be Lodged To-day

Certain unrest was developing at a late hour last night among residents in the "barricaded area" along Tifeng Road. A report obtained at a late hour from the Shanghai Municipal Police indicated that a number of residents were attempting to move from their houses to more auspicious surroundings.

Police detachments on guard were strengthened to some extent and by mid-night there were 50 Chinese police constables and 10 foreign officers on duty on Tifeng Road between Bubbling Well Road and Yu Yuen Road. All operations were being directed by the Bubbling Well Road station, which repeatedly put out "all quiet" reports in answer to inquiries.

It was learned last evening that, by a trick of fate, the home of a foreign detective of the Shanghai Municipal Police officer is in the affected area. This does not mean that the foreign officer is in arrears with his taxes, but he is merely one of those affected by the general barricade. Chinese reports issued at a late hour last night went so far as to insist that out of 96 barricaded families only 20 are in arrears.

It is reported that the 34th Branch Federation of the First Special District Citizen's Federation, a strong Chinese organization, will hold an emergency meeting to-day to discuss the question in accordance with requests received in numerous petitions.

A full account of the earlier situation will be found on page 4 of this issue.

Barricaded Tenements In Western District Under Close S.M. Police Guard

Over One Hundred Houses On Tifeng Road Have Been Prevented From Access To Settlement Roads; Municipal Authorities Block Sewage Outlet

TENANTS OF HOUSES REMAIN CALM BUT EXPRESS INDIGNATION AT ACTION

As the result of the positive action of the Municipal Police, under the direction of the Shanghai Municipal Council, the tenants of more than one hundred foreign-style houses on Tifeng Road were cut off from direct access to Municipal roads early yesterday morning. Further definite action against the householders was taken when the Public Works Department stopped the sewage outlet from the block of buildings.

As was first pointed out by "The Shanghai Times" yesterday morning, police from the Bubbling Well Station, assisted by P.W.D. coolies, barricaded the entrances to several blocks of buildings on the Western side of Tifeng Road, extending from Yu Yuen Road to Bubbling Well Road. Lanes leading from these dwellings to Tifeng, Bubbling Well and Yu Yuen Roads were effectively closed to all traffic. Residents had either to emerge on Settlement roads through shop entrances or make their way along a Chinese-owned lane at the rear of the premises.

In every respect the police blockade was effective yesterday. Heavy, specially constructed wooden structures topped by strands of barbed wire placed too high for successful scaling were thrown across the eleven entrances to the rows of buildings. Every outlet was thoroughly blocked and police stationed at each barricade to prevent any attempts on the part of those inside to attempt forcible removal of the barriers or any other untoward move.

District Quiet

But there was a general quiet over the entire neighbourhood. Those residing behind the barricades resigned themselves to the situation and found their way to the Settlement main roads either through several shops located at the corner of Tifeng and Yu Yuen Roads, or walked down a narrow alley leading from the rear of the little colony to Yu Yuen Road.

Naturally there was considerable indignation among the tenants of the buildings. But, in view of the fact that the barricading had been speedily and effectively carried out when the majority of residents were asleep or indoors, no attempt was made to interfere with the work of the police or coolie staffs. Furthermore, action of some such character had been repeatedly threatened by Municipal officials and it came as no great surprise to those now affected.

Shortly after daylight yesterday morning a gang of P. W. D. work-

men commenced digging at the Yu Yuen Road entrance to the buildings and, in a short time, had cut off the sewer outlet from the property to the main sewerage system of the S. M. C. So far there has been no attempt made or threat offered that the light, water or telephone services will be cut, but there is nothing at present to guarantee that these steps might not be taken if the tenants continue obdurate.

Refuse To Pay

The steps which have been taken by the Council in connection with residents in the barricaded area followed the continual refusal of these tenants of some 105 houses to pay the municipal rates. The house occupiers on this property are obliged to pay their own rates and these are not included in the rentals. Some, but only a very few, have paid these dues. The remainder have persistently refused.

Driven to the point where some action had to be taken to enforce its demands, the Shanghai Municipal Council planned the barricading of the entire property and this was carried out early yesterday morning. In bitterly cold weather and pouring rain squads of Chinese coolies, shepherded and guarded by detachments of police from Bubbling Well Station and the Reserve Unit, rapidly transferred the barricades from nearby depots to the points where they are now erected. The utmost secrecy had been observed by officials and the neighbourhood was taken by surprise.

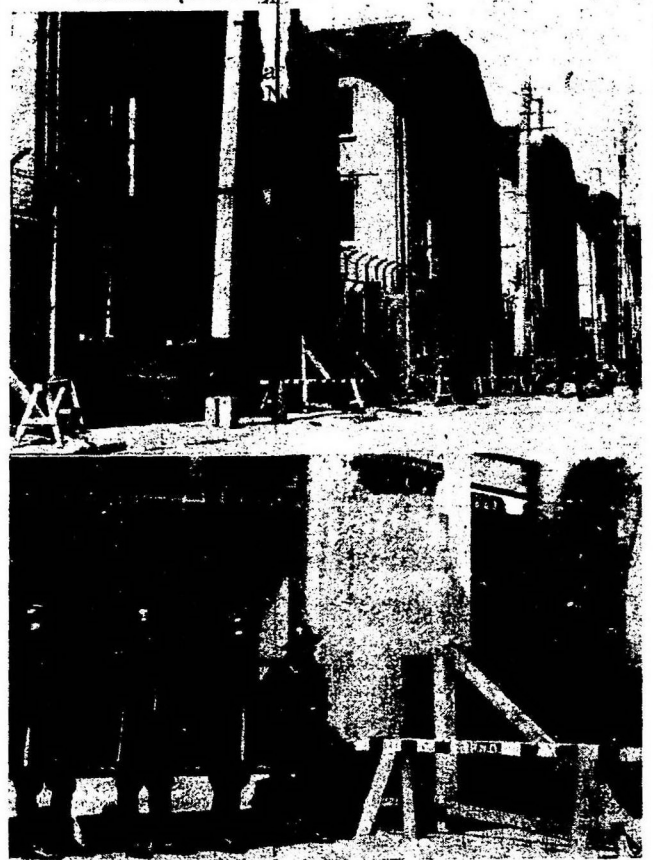
Warning, however, had been given the tenants that they could remove their cars before a stipulated hour if they desired to do so, but quite a number of them, imagining that it was only another gesture on the part of the S.M.C., decided to take the risk. Their cars are now unable to reach the main roads.

Police Stand By

Throughout the night and all day yesterday police detachments were on duty at the various entrances. They will remain there in reliefs until the Council obtains satisfaction from the tenants. The only buildings in the barricaded area which have direct access to the Settlement roads are several shops, the entrances to which have not been effected. Many of the inside tenants are using shops to enter and leave the besieged zone.

The property involved is officially located at 361 Yu Yuen Road, but it extends from that road along Tifeng Road as far as Bubbling Well Road, with considerable depth. There are ten terraces of three-storeyed foreign-style dwellings, separated by lanes sufficiently wide

BARRICADES ON TIFENG ROAD



Residents of Lane 361, Yu Yuen Road awoke with a start yesterday morning to find that all their Tifeng Road and Bubbling Well Road lane entrances had been blocked by the Shanghai Municipal Police. Designated as "Municipal amenities," the roads are held by the Council to be for the use of only those ratepayers who help to swell the municipal coffers. The photograph at top shows a general view of the barricades, while below is shown several of the police on duty.

[Ah Fong]

to permit motor traffic. It is these lanes, having access to Tifeng Road, Yu Yuen Road and Bubbling Well Road, which have been blockaded. At either end of the property several shop frontages are located. Those on Bubbling Well Road are vacant, but those opposite the Bubbling Well Fire Station, on Yu Yuen Road, are doing business. The property was erected in 1932 and is Chinese owned.

Warning Ignored

A warning regarding the non-payment of rates was addressed to all residents of this area by Mr. V. H. Bourne, Deputy Treasurer, but this was ignored. A further warning and an ultimatum was delivered a few days ago, the tenants were informed that unless payment was made access to Municipal roads would be stopped and the sewer system discontinued.

It is difficult to know how many people reside in the affected area, but it was learned yesterday that there were only two foreigners in residence there.

Questioned yesterday, officials of the Council stated emphatically that they would not remove the barricades nor restore the sewerage connection until the tenants had paid their rates. The Council indicated determination to carry on an indefinite siege. It was also hinted that steps in other districts along Settlement Roads, where rates had been withheld, would be carried out on similar lines wherever it was deemed necessary.

Revenue Department officials last evening declined to name in round figures that amount of rates involved in the present case, but stated it was considerable. The situation on the outside roads in the past few years has gone from bad to worse so far as revenue is concerned. More and more residents have refused to pay and the loss to the S. M. C. is enormous.

The protracted negotiations for a settlement of the disputed right to

control these thoroughfares and tax the residents thereon is no nearer. Discussions between Mr. Stirling Fessenden of the S. M. C. and Mr. O. K. Yui, of the Shanghai City Government, reached a point where a *modus vivendi* was drawn up. But that is as far as the negotiations got. All efforts since to seek a way out of the impasse have proved fruitless.

In the meantime, the majority of residents on these roads are escaping taxation to a large extent, paying neither to the Chinese on the one hand and refusing payment to the Settlement authorities on the other.

"Defaulter's" View

Resignation rather than indignation was expressed to "The Shanghai Times" yesterday by one of the Chinese residents in Tifeng Road, and a self-confessed "defaulter." "In a way, we are glad that the Council has taken action," he declared, "for now the problem of rates should be settled once and for all."

The resident, a businessman who is well-known in the city, declared that the "defaulters" were less to blame than the authorities involved, who had permitted the situation to reach its present state of uncertainty.

"On the one hand we are approached by S. M. C. collectors," he explained, "and if we don't pay them, then there is inevitably a good deal of unpleasantness. And on the other hand, we are dunned by Chinese tax collectors—who, if they are not satisfied, are just as unpleasant."

"This means that unless we pay double taxes, we get a portion of trouble one way or the other, so who can blame us for refusing to pay at all until the situation has become clarified? Given an authoritative ruling on the subject, I, for one, would be glad to pay my rates. But I do not see why we should be made the scapegoats of official inefficiency."

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OPEN LETTER TO S. M. C.

(The following open letter to the Shanghai Municipal Council has been received by THE CHINA PRESS.—Editor.)

Stirling Fessenden, Esquire,
Secretary-General,
Shanghai Municipal Council.

Dear Sir:—

With reference to your Deputy Revenue Treasurer's letter of 4th instant:

Informing me that the connection to the Municipal sewerage and drainage systems and also direct access to Yu Yuen Road, etc., would be withdrawn from all occupants of the block of property served principally by Lane 361 Yu Yuen Road, that this withdrawal which would take effect from March 10, 1937 was rendered necessary by the unwillingness of a number of occupants to contribute their share of Special Rate, that, in order to avoid inconvenience to those occupants, such as myself, who had heretofore regularly paid Special Rate to the Council, efforts had been made to persuade the owners of the property to assume the responsibility for collection and payment of this rate by incorporating the amount in the rental, and that as the owners did not agree to this arrangement, the Council had no other alternative but to withdraw the above-mentioned amenities:

I regret to say that the Council had thought fit to resort to the above drastic measures, which were put into effect on the 11th instant. In this connexion, I, being a regular payer of Special Rate to the Council and a resident in Lane 361, would like to express my personal opinion as follows:

(a) As the majority of the tenants in Lane 361 has heretofore regularly paid Special Rate to the Council, the Council's action in blockading the tax-payers' access to the streets and withdrawing the sewerage and drainage systems from their premises is most unjustified and untenable.

(b) When any tenant in the Lane is unwilling to pay his share of Special Rate, and if the Council believes that it has the right to collect tax on extra roads, the Council is at liberty to take action against him through the proper legal channel, viz, the law court, or to adopt other appropriate measures, which are in no circumstances to affect the freedom of, or to cause trouble to, the payers of Special Rate in the same lane.

(c) According to THE CHINA PRESS, today's issue, you pointed

out to one of their reporters that, *inter alia*, "It is an issue between the Council and the tax defaulters". It is quite clear that this is not an issue between the Council and the regular payers of Special Rate. Then, is it justified to treat the payers of Special Rate in the same way as the non-payers?

In view of the above, you are kindly requested to reconsider the case for the welfare of the residents at the above-mentioned place.

Yours faithfully,

(Signed) T. T. CHIEN

March 12, 1937,
83, Lane 361, Yu Yuen Road,
Shanghai.

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S.M.C. May Lift Tax War Siege

Many Besieged Residents Said Paying Rates

LANDLORDS PLAN TO OPEN LANE

Chinese Enforce 2 A.M.
Curfew On All
Cabarets

Everything was serene and peaceful on the Shanghai Municipal Council's tax war front last night. Not only that but the report was circulated yesterday that the barricades around the 120 foreign-style houses bordering on Yu Yuen, Tifeng and Bubbling Well Roads, occupied by tenants delinquent in paying their rates, may be removed Monday or Tuesday. Officials of the S.M.C. neither confirmed nor denied the rumor.

THE CHINA PRESS was reliably informed last night that a number of tenants in the besieged area have paid their rates since the barricades were erected Thursday. It is estimated that approximately three-fourths of the residents of the district have paid up, hence the report that the Council intends to remove the obstructions to the entrances of the lanes leading to the houses.

Conditions inside the blockaded area remained practically unchanged last night. Only a few motor-cars are now in the area. Several were let out Thursday while another went out Friday with the permission of the Settlement police. The landlords yesterday discovered another outlet to the street. This adjoins a narrow lane in Chinese-controlled territory and is in close proximity to Bubbling Well Road. Here, the landlord has installed two temporary street lights for the convenience of the tenants.

The landlords stated yesterday that if the Council prolongs the siege, they will proceed with plans to open a new lane leading to ~~Chinese territory~~ in order to allow motor-cars and tenants to leave and enter the zone.

Reports that the tenants in the area who have paid their taxes are seeking legal advice with the idea of suing the Shanghai Municipal Council for damages unless the barricades are removed still persisted. Some of the tenants interviewed stated that the matter had already been taken up with their legal advisers with the idea of seeking redress and that some action might be forthcoming. No really definite statements, however, could be obtained.

In the meantime, the situation in the cabaret zones situated along outside roads, remained unchanged. All cabarets in Chinese territory such as Del Monte's, Farrens, the Jessfield Club and the string of Russian all night establishments along Great Western Road, are being forced by the Chinese authorities to close their doors at 2 a.m. Thus far, there has been no trouble and the action of the Chinese authorities in this regard has been extended to the cabarets along North Szechuen Road.

OUTSIDE ROADS

S.M.C.'s Right to Acquire

To the Editor of the

"NORTH-CHINA DAILY NEWS"

SIR,—A number of uncontradicted assertions have been made in Shanghai newspapers, contending that the Shanghai Municipal Council have no rights outside the limits of the Foreign Settlement (and presumably the French Municipal Council also).

The Settlement is governed by the "Land Regulations," which were mutually agreed upon by the Chinese Government and the Foreign Ministers in China at the time they were made effective. Until they are superseded by some other form of government, or the refusal of one of the parties to carry out the agreement they have made, or war, they remain the only basis of government to-day. Land Regulation VI reads as follows:—

It shall also be lawful for the Land Renters, and others who may be entitled to vote as hereinafter mentioned, in public meeting assembled, to purchase land leading or being out of the Settlement, or to accept land from foreign or native owners upon terms to be mutually agreed upon between the Council and such foreign or native owners, for the purpose of converting the same into roads or public gardens and places of recreation and amusement, and it shall be lawful for the Council from time to time to apply such portion of the funds raised under Article IX of these Regulations, for the purchase, creation and maintenance of such roads, gardens, etc., as may be necessary and expedient.

The S.M.C. has purchased the land on which outside roads are made and paid for it. Article IX empowers them to collect rates and taxes for the upkeep of the roads. The same Land Regulation states that "such roads shall be dedicated to the public use...of all persons residing within the Settlement." The occupants within the present "distressed area" of Tifeng Road do not reside within the Settlement, so the S.M.C. ask them to contribute to the roads on which their houses are built—or refrain from using them.

GREAT WESTERN.

Shanghai, March 13.

'STUPID VALLEY' WILL HAVE NEW OUTLET

**Landlord Threatens To
Demolish Houses For
Back-Door Exit**

BESEIGED VILLAGE CONTINUES QUIET

The besieged village of "Stupid Valley"—the alleyway in Yu Yuen Road extra-settlement territory which was barricaded by the S.M.C. on Wednesday night because of the failure of some of the tenants to pay taxes—quietly carried on business yesterday regardless of the blockade at either end of the street and police patrols.

After three days of the strange situation there was no evidence that tenants had decided to pay their rates. Instead it was stated in reliable Chinese sources that the landlords affected were seeking to open a new alleyway into Chinese territory. Three houses will have to be torn down to accomplish this, but the owner has declared himself willing to make the sacrifice and a petition to this effect has been sent to the authorities of the Shanghai City Government.

Rumours, which could not be confirmed through the Council, stated that many tenants had paid their rates since the blockade, bringing the total of those who have paid to nearly three-quarters of the residents. If this is true, it is believed likely that the blockade may be removed by Monday.

Only a few motor cars are still inside the blockaded area. Several were let out on Thursday and another one was allowed to pass on Friday afternoon. The owner of this car was visiting a friend when the barricade was put up and did not get out in time. He convinced the Council authorities that he was not a resident of the alleyway and was thus permitted to drive his car away.

Wise Or Otherwise?

IF THIS were a world where black were always black and white always white, we would feel the Shanghai Municipal Council not only justified but wise in taking drastic action against certain dwellers off extra-Settlement roads who have not paid their Settlement rates.

But there are complexities in this world of ours, many things in which both blacks and whites shade off into grays, and we are smitten with doubts as to the full advisability of this step at this time. Specifically, we think the Council will win on this issue but that it may find it has achieved a Pyrrhic victory.

On at least two points the Council seems to us to be definitely in the wrong. One is with reference to such dwellers in the affected area as have duly paid municipal rates. If a single person has, that person is being subjected to unfair treatment; and the assertion is being made that an appreciable number have so paid. The other is with reference to motorcars impounded although their owners have paid the regular license fees. On both these points the Council appears to have laid itself open to criticism, possible legal action and certainly a vast deal of general resentment with possibly far reaching political consequences.

However, it is strictly up to the Council to judge whether it is likely to get itself into more political hot water than its skin can stand. We agree that the people who are now being subjected to inconvenience should not be allowed to go on indefinitely dodging the payment of taxes to both foreign and Chinese authorities. Our sole doubt is to whether there has not been a bit of the bull-in-china-shop about all this, which perhaps might have been avoided.

There is sufficient vagueness about the Land Regulations' very provision of Outside Roads in the first place. Administrative rights have been debated for years, there being no specific provision. The right to tax occupants of premises abutting on the Outside Roads is assumed but unstated. Finally—a long but necessary mental jump—if foreigners can be "tough" about taxing Chinese. . .

On one thusfar little regarded but to us very vital detail we feel that the Council has shown the most complete unwisdom. That is in the matter of publicity concerning the precise status of the whole Outside Roads position. Why must any such situation as the present one come to pass? What have the Japanese been demanding which blocked agreement on the Outside Roads issue at a time when virtually all other Sino-foreign relations have been more amicable, when there has been more complete understanding, than at any time in history? The public deserves to know. To let the light of day into the dark corners of this subject, far from doing harm, might well prove the best possible way to move toward an understanding.

Stupid Valley Front All Quiet In Tax Battle

Siege Of House-Block
Ending Third Day;
Many Pay Rates

**BARRIER REMOVAL
EXPECTED MONDAY**

**City Government Said
Planning Counter
Measures**

All was quiet this morning on the "Stupid Valley" front of the Shanghai Municipal Council-tenant "tax war." The siege of the half block of 120 three-story, foreign-style houses bordering Bubbling Well, Tifeng and Yu Yuen Roads, entered the third day today with prospects of an early solution still uncertain.

Rumors were circulated this morning that many tenants have paid their rates—12 per cent of their monthly rent—since the blockade, bringing the total of tenants who have paid to three-fourths of the population there, and that the barricades, erected Thursday, will be removed on Monday. These rumors, however, could not be confirmed. Council officials today refused to reveal the number of tenants who have already paid their rates and to reveal the date when the barricades are to be removed.

Conditions Unchanged

Conditions inside the besieged compound remain unchanged this morning. The landlords, having found another outlet adjoining a narrow lane in the Chinese controlled territory in close proximity of Bubbling Well Road, have installed two temporary street lights for the convenience of the tenants. "We will continue our fight at any cost," the rent agent declared this morning. "If the Council is to prolong the siege, we will proceed with our plans to open a new alleyway leading to Chinese territory to allow motor cars to enter and leave our lane."

Some of the tenants inside the besieged "city" declare that the Police Bureau of the City Government is seriously considering drastic counter-measures to remove the barricades. This is unlikely in view of the statement issued by Mr. O. K. Yui, secretary-general of the City Government, who, while expressing his regret at the incident, advised the tenants to pay "compensation" to the Council, through the City Government, if necessary, for their use of the Council sewer and drainage facilities.

Car Let Out

Only a few motor-cars are now inside the blockaded village. While several were let out on Thursday afternoon, another one was allowed to pass yesterday afternoon. The owner of the car was visiting a friend when the last exit of the lane on Yu Yuen Road was blocked on Thursday morning. By convincing the Council officials that he is not a resident of the alleyway and that he has fulfilled all of his obligations to the Council, he obtained special permission to drive the car away from the besieged "city."

The blockade outside a Tifeng Road exit was specially lifted for him by a group of Public Works Department coolies at the command of the Bubbling Well Station. He drove the car out triumphantly after having been deprived of the title as a motorist for some 30 hours.

Meanwhile, tenants who have been paying the municipal rates before the blockade are complaining to the Council for its alleged failure to show discrimination in taking the drastic action. It is said that they are seeking legal advice with a view to seeking redress against the Council in the Court of Consuls. The attitude towards the Council action is disclosed in a letter addressed to Mr. Stirling Fessenden, secretary-general of the Council, by Mr. T. A. Chen, tenant of House 83 in "Stupid Valley" village.